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## NEWS: INTERNATIONAL

## Number may be up for EU accession

By David Gardiner  
in Brussels

Expansion of the European Union to bring in Sweden, Finland, Austria and Norway in January next year could now hinge on the votes of a score of former Italian communists in the European Parliament.

Following the near collapse of the enlargement process over the now-settled row between Britain and its partners over EU voting rights, it is emerging that the European Parliament may not be able to muster the requisite votes on the accession treaty for entry to take place on time.

Any setback in a tight timetable could further inhibit the at best lukewarm enthusiasm for Europe among the population of the four applicant countries, all of which must submit EU membership to referendum.

The European Parliament has to approve the accession treaty by a majority of 260 of its 518 members on May 4 to keep to the timetable. After May the Strasbourg assembly dissolves for the June European elections, and could not look again at enlargement until September at the earliest. This would derail the four newcomers' referendum plans.

But senior officials at the parliament, after canvassing the main political blocs, have so far secured pledges of only 248 votes at best.

Part of the problem is that about a quarter of MEPs rarely attend the parliament. Around half can expect to be replaced in June and, in May, many will be campaigning for re-election.

The apparatus of the two largest blocs, the 198-strong Socialist group and the Christian Democrats - numbering 162, including 32 British Conservatives - are exerting strong pressure on their constituent parts to attend and to pass the enlargement.

But on the latest calculations the Christian Democrats can only field 100 votes and the Socialists 109. Among the smaller groups, 22 liberals, 14 French Gaullists and Irish Fianna Fail members, and three rebel Greens bump the figure up to 248 - 12 short of a majority.

The key lies, therefore, in the Socialist bloc where the only, as yet, undecided group big enough is the 31-strong Socialists which, following the implosion of the Italian Socialist party, in practical terms means the 20 MEPs of the Party of the Democratic Left (PDS) or former communists.

Belgian, Dutch, and some German and French Socialists - as well as some Christian Democrats from these countries - are refusing to back the enlargement because they want a "deepening" of integration to accompany the Union's "widening".

They are annoyed at the marginal concessions on voting rights made to the UK last month, which they argue will make EU decision-making, in which the parliament has a greater stake after Maastricht, more difficult.

Even five of the 45 British Labour MEPs, ordered by their party leader Mr John Smith to support the enlargement, appear unlikely to vote Yes.

This line-up could change, especially following intensive lobbying by Scandinavian and Austrian Socialist leaders this week.

Mrs Gro Harlem Brundtland, the Norwegian prime minister, Mr Carl Bildt, the Swedish premier, and a phalanx of applicant country ministers will continue the lobbying in Strasbourg tomorrow.

## Member states' political expediences will ultimately determine fate of Bosnia effort

## UN exposed by debacle in Gorazde

By Bruce Clark

Britain's Ministry of Defence was yesterday referring all inquiries about its troops' involvement in the worsening conflict in Bosnia to Unprofor, the UN protection force.

But when Mr Malcolm Rifkind, UK defence secretary, is challenged about the issue in parliament this week, that sort of answer will not be enough. He will have to account for his own stewardship of Britain's armed forces.

In Washington, politicians sometimes talk about the US involvement in Bosnia as though it was a purely national concern; and other times they remember to proclaim their dogged compliance with whatever they are told by the UN.

With the UN's firepower and bureaucratic empire growing by the day, politicians in many countries have been tempted to use it as an alibi when things go wrong. But the disastrous setbacks of recent days have left the UN in danger of being exposed as a colossus with feet of clay: certainly no more, and often less, than the sum of its national parts.

Mr Yasushi Akashi, the senior UN representative in Yugoslavia, suggested at the weekend that the UN might have to withdraw from Bosnia altogether. For Mr Akashi and the UN secretariat, this would be a logical response to an unsustainable position. But individual members of the Security Council have entirely different, often conflicting, considerations to take into account. Therein lies the UN's weakness. It does not speak with a single voice, and not even its enemies treat it as a single institution.

The Serbs' attack on a British unit in the Sarajevo area over the weekend would suggest that they, at least, are not influenced by the colour of soldiers' helmets: they know who their enemy is.

The five permanent members of the Security Council have vested huge powers in the UN and its bureaucracy, but as the Gorazde debacle has shown they have sharply contrasting ideas about how those powers should be used.

Moreover, the UN's ability to exercise its responsibilities depends in practice on contributions of men and money from governments which can be abruptly withdrawn. The UN in Bosnia has been forced to combine the jobs of consensus-builder - dependent on co-operation from the warring parties - and policeman.

Mr Akashi found himself in the former role yesterday when he unsuccessfully asked the Serbs to hold their fire in Gorazde and release 150 UN personnel. He stated on Saturday that if the Bosnian Serbs continued to withhold co-operation, then it would be "meaningless" for the UN forces to remain in Bosnia.

His logic was clear enough. It might have been possible for the UN to mix consensus with coercion if the coercion had been so massive that it brought all the parties to the table in a conciliatory mood. But, in practice, coercion has proved less effective than western governments hoped, leaving the UN's position almost untenable.

In the end, however, the fate of the UN effort in Bosnia will depend not on Mr Akashi's sound logic, but on the political expediences weighing on national governments.

Mr Radovan Karadzic, Bosnian Serb leader, recently boasted that the "west had played its last card." Laura Silber writes from Belgrade. He has revelled in recent Serb successes, proclaiming that his people are on the verge of defeating not only their Muslim foes in Gorazde, but the entire western world.

Serb leaders have excelled in the politics of brinkmanship, brazenly snubbing the west - and even their traditional friends in Russia - as they pursue their political and military goals. Last week Mr Karadzic proudly told Serb troops besieging Gorazde: "You are the best army in Europe."

Despite speculation of splits among the



On the offensive: Bosnian Serb tank operators in buoyant mood as they wait for battle near Gorazde

ing the UN's position almost untenable.

The UN's vulnerability reflects Washington's recent refusal to finance an increase in Unprofor's numbers.

US and British officials will be weighing up the domestic political cost of casualties in an ugly, confusing war against

the outrage that a massacre of Muslims would arouse both at home and in friendly Islamic countries like Turkey and Saudi Arabia.

Nato governments have insisted that air strikes have been used to protect a handful

of UN personnel, not the 65,000 residents of Gorazde. But western leaders will not escape the political consequences of a rout in Gorazde even if the formal purpose of the UN mission - to protect its staff - is secured through a successful evacuation.

Islamic wrath will fall more on the west, which has disappointed the Bosnians with false promises, than on Russia, which is openly pro-Serb.

Moscow has some reason to be embarrassed by the Serbs' continued offensive. Yet Mr Andrei Kozyrev, Moscow's foreign minister, never made the extravagant claims on behalf of his diplomatic approach that were repeatedly advanced by armchair advocates in the west of "bombing the Serbs".

Mr Kozyrev will now tell his western counterparts in the Security Council that Russian diplomacy sometimes works whereas western air strikes do not work at all.

## SERBS EXCEL IN THE POLITICS OF BRINKMANSHIP

political and military chiefs, Serb leaders appear united in the face of western indecision.

When Gen Sir Michael Rose, UN commander in Bosnia, last week requested close air support to protect UN personnel under fire in Gorazde, they added him to their list of international actors who had to be banished.

"General Rose has finished his mission in Bosnia", said Mr Momcilo Krajisnik, speaker of the Bosnian Serb "parliament".

While President Slobodan Milosevic of Serbia has held back from displaying open derision towards the west, the Serbian media have hailed the onslaught on

Gorazde. Serbian television has broadcast pictures of a ruddy-faced Gen Ratko Mladic, the Bosnian Serb commander, surveying the advance of his troops from the high ground around Gorazde.

Banner headlines rejoiced over the Serb forces' shooting down of a British Sea Harrier jet over Gorazde, an incident taken as proof of Nato's weakness in comparison with the Serbian army.

The military moves in Bosnia in defiance of the outside world have been echoed on the political front in Serbia. The leadership in Belgrade has restricted the movement of UN personnel inside the Serbian republic, and introduced entrance visas.

## Right-wing allies see their candidates elected as speakers

## Way clear for Forza Italia chief

By Robert Graham in Rome

The slow constitutional procedure for forming a new Italian government grinds to a halt this week when President Oscar Luigi Scalfaro begins talks with the leaders of political parties.

It is now a virtual certainty that Mr Silvio Berlusconi, the media magnate, will be called upon to head the next government, but he is unlikely to be given the mandate until after April 25.

On April 25 Italy celebrates the nation's liberation from fascism and Nazi occupation. President Scalfaro is said to be anxious to avoid this being turned into a destabilising demonstration against the new

right-wing government that is backed by the neo-fascist MSI National Alliance which is inspired by the ideals of Mussolini.

The way was opened at the weekend for forming the next government by the election of the speakers of the two houses of parliament. The Freedom Alliance, composed of three main parties - Mr Berlusconi's Forza Italia, the populist Northern League, and the small Christian Democrat Centre succeeded in having both their candidates elected.

This is the first time in Italy's post-war parliamentary history that a future governing alliance has sought to impose its own candidates and not

seek a broader consensus with the opposition. The move was intended as a deliberate break with the past where the opposition was co-opted into being part of the political system by agreeing to share some of the senior offices of state - such as the speaker of the chamber of deputies.

The new speaker of the chamber of deputies is Ms Irene Pivetti, a militant Catholic aged 31, who was first elected as a League deputy in 1992. She is the youngest speaker ever and was elected with 347 of the 617 votes cast in the 630-seat chamber.

Ms Pivetti raised some eyebrows by her acceptance speech in which she openly dedicated herself to God and

ignored both the traditional homage to the outgoing speaker, Mr Giorgio Napolitano, the highly respected former communist, and the normal respectful address of the house members as "honourable".

In the Senate, the Freedom Alliance candidate Mr Carlo Scognamiglio, a Liberal senator who defected to Forza Italia, just managed to win on the fourth round against outgoing speaker Mr Giovanni Spadolini by 162 votes against 161. After the first round of voting on Friday, which Mr Scognamiglio lost, Mr Berlusconi warned fresh general elections might be necessary. This threat brought a sharp rebuke from President Scalfaro.

The complex scheme involves the unscrambling of plans which began with a reverse take-over by the non-quoted Sbe of the bigger Mondadori. Although Mondadori's 1993 turnover of L1,787bn was six times greater than Sbe, the latter last year raised its stake to 98 per cent in Mondadori. This was to allow quotation of all Mr Berlusconi's publishing interests and have the Berlusconi name on the Milan stock exchange.

With Mr Berlusconi likely to head the next government it was considered better to use only the Mondadori name.

Confalonieri, Fininvest chairman since Mr Berlusconi stepped down to take up politics, insisted this was an important symbolic step. Financial analysts saw the decision as a necessary move to reorganise Fininvest's publishing side with an annual turnover of L1,900bn (£790m) and reduce the empire's debt, which topped L3,800bn in 1993.

The new flotation plans, cleared with Consob, the Milan bourse watchdog late on Friday, could raise close to L1,000bn for Fininvest - nearly one-third more than the original plan drawn up last year.

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## Spain expects exports to lead recovery

By David White in Madrid

The Spanish government is increasingly confident that the economy will grow this year following last year's decline, according to Mr Pedro Solbes, economy and finance minister.

The current account could break even for the first time since 1986, when Spain joined the European Community. Last year it showed a deficit of Ptas632bn (£3.1bn).

Mr Solbes expects the export-led recovery to be "closer to 1.5 per cent than 1 per cent". His forecast is higher than most private projections, although there is consensus among analysts that Spain will show positive growth. The 1993 recession was Spain's worst economic performance in 30 years.

Sluggish private consumption and limited investment growth would be offset by a sharp rise in exports and tourist receipts, Mr Solbes said. Both exports and imports were increasing faster than the government expected.

Unemployment, the highest in Europe at almost 24 per cent according to the last quarterly survey, should begin to fall in the second half of the year, with a sharp reduction in 1995 and 1996, he said.

Inflation, now running at an annual rate of 5 per cent, should also fall in the second

half. The government has a 3.5 per cent target for the year.

Mr Solbes, a political independent in the Socialist government, emphasised the need to cut public spending, which, including regional government expenditure, accounted for more than 7 per cent of GDP last year. Spain was running out of leeway to increase tax revenues and needed to go further with budget control, he said. This had to include reducing subsidies to loss-making state companies.

He admitted that privatisation in Spain had been "slow and limited" but added that there were few companies that could easily be privatised. It would be unrealistic to expect state steel, coal or shipbuilding companies to be denationalised.

It would be difficult for Spain to bring its public deficit down to 3 per cent of GDP by 1997, the EU convergence target for the third phase of economic and monetary union. Spain hoped to review its convergence programme with the EU in July.

Reflecting growing government anxiety over the controversy surrounding Mr Mariano Rajoy, the former Bank of Spain governor, Mr Solbes said it would be "enormously negative from all points of view" if allegations of tax evasion by Mr Rajoy were proved true.

## Walesa threatens to call elections

By Christopher Bobinski  
in Warsaw

The row between Poland's President Lech Walesa and the ruling coalition government over the appointment of a new finance minister escalated at the weekend when the president threatened to dismiss parliament and call new elections.

Tension between Mr Walesa and the government heightened after deputies from the ruling post-communist Left Democratic Alliance (SLD) and the Polish Peasant party (PSL) tabled draft changes in the country's interim constitution giving parliament the right to overrule the president's veto on government appointments.

President Walesa, in Lithuania in the Czech Republic at a meeting of central European heads of state, said he did not believe the coalition would go ahead with the changes. "But if they do, that means elections. I will convince the people of the danger of the course the coalition is taking," he said.

The coalition's move has been prompted by Mr Walesa's refusal to accept the appointment of Prof Dariusz Rosati, a UN economist and SLD supporter, as finance minister, following the resignation in February of Mr Marek Borowski. Mr Borowski had argued with Prime Minister Waldemar Pawlak over control of economic policy.

The coalition is arguing that the present interim constitution, passed in 1992, needs to be amended as the president's right of veto over cabinet appointments deprives the governing majority of the power to replace ministers. The constitution, as it stands, gives parliament the right to overrule a presidential veto only when the cabinet is initially appointed.

Mr Aleksander Kwasniewski, the SLD leader who has persuaded Mr Pawlak to support the amendment, called yesterday for talks with the president in the hope he could be persuaded to accept Mr Rosati's appointment and avoid the need for constitutional change.

The accord between the coalition parties marks a change of heart for Mr Pawlak, who had initially opposed Prof Rosati's appointment. Mr Pawlak still wants to increase his control over financial policy; this had been handed to the SLD under the agreement establishing the coalition last autumn.

The president's hand is not strong as the coalition needs just four further votes for the amendment to pass. The constitution also only permits the president to call mid-term elections if parliament is unable to appoint a government or pass the annual budget. The next parliamentary elections are due in 1997.

Reuter adds from St Petersburg: Prof Rosati said yesterday he was still willing to become Poland's finance minister, provided the long wrangle about the appointment did not seriously damage the economy. "I don't consider myself as a candidate but apparently the coalition does," he said. "I wouldn't object... I would accept."

He added: "The economy can fall into disarray. If something fundamental changes in the economy I would reconsider."

Among his priorities as finance minister would be promoting privatisation and enterprise restructuring. It would also be necessary to start work on the 1995 budget, which would be necessary to open ways to the past, he said.

One possibility would be to raise a Eurodollar loan, and work had to be done on signing a deal with the International Monetary Fund.

## Russia begins to choose between Union and empire

By John Lloyd in Moscow

"Russia faces a choice: that between the recreation of a Union, and the imposition of an empire," according to Mr Sergei Karaganov, influential deputy head of the European Institute think-tank and presidential adviser on foreign relations.

Mr Karaganov was co-chairing a conference outside Moscow last Friday on Russia's place in the world - jointly organised by his institute and the Friedrich Ebert Stiftung, a German think-tank - as leaders of the Commonwealth of Independent States struggled in the capital to cope with the broader international role Russia is now according itself.

The deliberations of the conference shadowed those of the leaders' summit in earlier counterpart: as the policy analysts saw a greatly strengthened

Wide differences of interpretation have emerged between Belarus and Russia over their economic union treaty, which seems to hand over all economic levers of power to the Russian government and central bank, writes Leyla Boulton in St Petersburg.

A senior Belarus minister has said Minsk would be allowed to keep a separate central bank and that Russian President Boris Yeltsin supported

Russian hegemony over the former Soviet states, so the Russian leadership put flesh on their words.

Mr Mark Urnov, one of Russia's leading pollsters and sociological analysts, presented to the conference a range of poll evidence which showed the huge shift in both elite and public opinion in the past three years: from a view in which "the west was seen as a model, an Eldorado, the centre of civilisation" to one where the

this position. However, a senior Russian minister has flatly denied the claim, threatening resignation if it were the case.

Mr Mikhail Myasnikov, deputy prime minister of Belarus, said that both the Russian president and Mr Victor Chernomyrdin, the Russian prime minister, had agreed during a CIS summit last week to let it keep a central bank. A treaty foreseeing

fining Russia within its present borders was to give it an impossibly narrow compass. This is a theme which echoes much of the contemporary political discourse in Moscow.

The views, voiced by men who are principally seen as moderates, are uncomfortable and were identified as such by the non-Russian participants, including Germans and Poles. In Moscow, the leaders of the other 11 CIS states were dealing with the practical result of

the liquidation of the Belarus Central Bank was signed on Tuesday despite the objection of its chairman.

But Mr Alexander Shokin, Russia's deputy prime minister, said the government was "categorically opposed" to allowing Belarus have its own bank issue roubles alongside the Russian central bank. He said Russia had agreed to swap Belarus citizens' savings for roubles at a

too is subject to differing interpretations. And it has agreed with the central Asian and many Caucasian states to put Russian frontier troops on external borders, while having military agreements with nearly all of them.

They are committed to developing a tariff-free zone and to forging new links between companies, the latter clearly in the interests of Russia which has by far the largest share of large enterprises.

Leadership has its responsibilities. Russia has sought to bring Armenia and Azerbaijan to the negotiating table to solve the Nagorno-Karabakh problem and has won an agreement to put its peacekeepers into Abkhazia. These may draw its troops into vicious and apparently intractable conflicts but will increase Moscow's power and prestige while giving its army something to do.

This month's meeting of the CIS could, in retrospect, be seen as the watershed of the organisation: the one when, after 24 years when its existence was in doubt and when its proceedings drowned in unfulfilled treaties, Russia took control.

Mr Karaganov's choice between Union and empire has still to be made but there is now little doubt that the trend is towards one or the other.

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FT writers profile two key politicians in Japan's search for a new premier

WORLD NEWS DIGEST

## EBRD credit to rocket group

The European Bank for Reconstruction (EBRD), designed to help finance eastern Europe's post-cold war transition to a market economy, yesterday signed a \$10.3m credit line for a privatised Russian company which used to make inter-continental missiles aimed at western targets. Mr Jacques de Larosière, president of the slimmed-down and re-focused bank, and Mr Victor Chernomyrdin, the Russian prime minister, began the bank's annual meeting yesterday with the formal signature in St Petersburg of a deal which backs the first use of a Russian Proton rocket as the launcher for a western communications satellite.

Mr Ron Freeman, the bank's first vice-president, hailed the deal as the bank's first venture into the conversion of the military aerospace industry. Apart from agreeing the standby facility for Khrushchev, the Russian aerospace company, the bank also helped to secure a waiver of former Cocon restrictions needed to import the \$36m high-tech Intersat satellite into Russia for launching in 1995 and in obtaining insurance through Lloyd's in London, he added. Saab/Scania of Sweden is adapting the satellite for launch at a cost of \$10m. The EBRD has committed over \$500m to projects in Russia and disbursed over \$100m. Anthony Robinson, St Petersburg

## Moscow delays taxes

The increased tariffs on a wide range of imported goods originally imposed by the Russian government from March 15 have been delayed until July 1, according to a government statement. The decision followed what the Kommersant Daily newspaper called at the weekend "a wave of protests from the cities" over the prospective price rises on imported goods, which in some large centres make up 25 per cent of the shopping basket. It also follows strong protests from foreign states, led by the US. Mr Ron Brown, US commerce secretary, raised the issue last month with Mr Victor Chernomyrdin and received a pledge that the tariffs would be re-examined. John Lloyd, Moscow

## Balladur losing out to Chirac

Mr Edouard Balladur, the centre-right French prime minister, failed to halt the decline in his popularity in the latest opinion polls, and is now losing ground against Mr Jacques Chirac, the Paris mayor, as the favourite contender in next spring's presidential elections. The prime minister's approval rating fell by two points in the past month to 43 per cent, according to the authoritative IFOP poll published in yesterday's Journal du Dimanche newspaper.

This decline marks a stark contrast to his stellar performance last year. Perceptions of Mr Balladur have since been clouded by a series of humiliating setbacks, culminating in this spring's virtual abandonment of plans for a new minimum wage after violent protests by young people and students. He has also been dogged by his government's failure to halt the rise in unemployment. Alice Rowethorn, Paris

## Irish rail strike called off

A threatened national rail strike in Ireland, due to have begun at the weekend, was called off at the 11th hour after management and unions agreed to arbitration by the country's Labour Court. The dispute is over changes to work practices and the introduction of new technology on Ireland's antiquated rail network. Forty staff had been suspended for refusing to participate in training courses on the new technology, but following Friday's agreement, they have now been reinstated and the management has decided to postpone for one month the introduction of a productivity package pending the Labour Court ruling. Irish Rail loses around £120m a year and is estimated to require some £200m in new investment to modernise its rail network, rolling stock and signalling and ticketing systems. Tim Coone, Dublin

## Mexico trade deficit up sharply

Mexico's trade deficit deteriorated sharply to \$1.53bn in February, an increase of 24 per cent over the same period last year. The unexpectedly high deficit may put additional pressure on the peso, which is already trading at the limit against the dollar allowed by the central bank. The February deficit was pushed up by a 19 per cent increase in imports, which reached \$5.02bn in February. Exports rose to \$4.49bn, a 17 per cent increase. Manufacturing exports jumped by 26 per cent. The government sought to blame the growth in imports on buoyant exports in its latest explanation of why the trade deficit is a healthy phenomenon. The government said some 40 per cent of the imports in February will be used to make goods that will soon be exported. Damian Fraser, Mexico City

## Zapatistas ready for talks

Mexico's Zapatista rebels are willing to restart stalled peace talks with the government, according to Bishop Samuel Ruiz, the mediator in the negotiations. The talks have been stalled since March 2, when the government laid out its formal response to rebel demands. On March 24 the Zapatistas suspended consultations with their supporters on the government offer after the assassination of presidential candidate Luis Donaldo Colosio. Since then the state of Chiapas has become increasingly tense, as landless and poor farmers have fought over land and political power. Bishop Ruiz said the Zapatistas had asked him to explore ways of restarting the dialogue. Damian Fraser, Mexico City

## Turkish troops kill 57 Kurds

Turkish army commandos, supported by aircraft and helicopter gunships, killed 57 rebel Kurds in five days of military operations in northern Iraq, the Anatolian news agency reported yesterday. Quoting military officials, the agency said reported yesterday the guerrillas of the separatist Kurdistan Workers party (PKK) in the mountainous terrain in the Sivi and Mezidiyakeri regions. The operations, involving about 40,000 troops, are part of a Turkish spring offensive against the rebels in south-east Turkey and northern Iraq. Military officials said Turkish troops would remain in northern Iraq until the end of summer. The PKK has benefited from the political vacuum in northern Iraq to carry out raids into Turkey from mountain hideouts in the region. Turkey has responded by frequently bombing PKK camps. Reuter, Istanbul

# Takemura: an idealist Ozawa: the shogun who met his match

By Michio Nakamoto in Tokyo

Policy has largely been neglected in the power struggle that has paralysed Japanese politics. But policy differences are at the heart of the rift that has threatened the fragile coalition government.

Mr Masayoshi Takemura, chief cabinet secretary and leader of the New Harbinger party, or Sakigake, is a central figure in the unfolding drama. With his uncompromising rejection of Mr Ichiro Ozawa, co-leader of the Japan Renewal party and the figure behind many of the coalition's accomplishments. Both Mr Takemura, a member of the left-leaning faction of the coalition, and Mr Ozawa, a right-winger, broke away from the Liberal Democratic party last year, but they have serious policy and personal differences.

On the surface, the crack has seemed to stem from personal enmity. Mr Takemura's idealism and low-key style have been seen as the antithesis of the cold pragmatism and abrasive manner of Mr Ozawa.

As chief cabinet secretary, Mr Takemura has been embarrassed by moves within the



Takemura: an idealist being out-manoeuvred

coalition to undermine him which, it is widely believed, were initiated by Mr Ozawa. The former prime minister, Mr Morihiro Hosokawa, had been close to Mr Takemura when the coalition was formed last year but appeared unable or unwilling to protect him.

While Mr Takemura frequently stresses the importance of transparent government, Mr Ozawa's forte is

cutting deals in smoke-filled rooms. On several occasions, Mr Takemura has criticised Mr Ozawa's tactics as opaque and undemocratic.

Mr Takemura persistently refused to enter discussions last week after indications that the coalition would be dominated by Mr Ozawa's JRP. This personal dispute made it impossible to paper over differences the two have in policy direction and highlighted the fragility of a coalition formed more for political convenience than out of shared interests.

While Mr Ozawa favours a more active role in maintaining international security, Mr Takemura believes Japan should stick to its pacifist constitution and reject decisions that could lead to military expansion.

He spent a year in his youth at a Zen temple and urges Japanese to focus on the quality of their lives rather than the quantity of goods in their lives.

But with Mr Takemura having staked his role in the coalition government on a showdown with Mr Ozawa, it looks as though his idealistic views were no match for Mr Ozawa's manoeuvrings.

By Emiko Terazono in Tokyo

Mr Ichiro Ozawa could not be called one of Japan's more folksy politicians. But on a morning variety show, Mr Ozawa tried to reach out to an audience of middle-aged housewives, revealing that he loves showbiz gossip, takes care of buggies in his spare time and, although like any husband he has lied to his wife a few times, as a politician he has always told the truth.

His congenial manner and wide smiles, however, have failed to convince residents of Nagatacho, Tokyo's political district, who have been watching Mr Ozawa and his back-room manoeuvrings over the creation of the next government. To them he is no ordinary Japanese husband, but the shadow shogun - the back-room fixer of Japanese politics.

Immediately following Mr Morihiro Hosokawa's resignation as premier, the coalition looked likely to split along its two ideological lines: the right, including Mr Ozawa's Japan Renewal party, and the Buddhist-backed Komeito, or Clean Government party; and the left, consisting of the New Har-



Ozawa: realises that political power lies in numbers

binger party, Socialist Democratic party and the Democratic Socialists.

Mr Ozawa had initially considered cutting off the coalition's left, and filling the gap by teaming up with Mr Michio Watanabe, a Liberal Democratic party elder and a former foreign minister. Mr Watanabe is close to Mr Ozawa in his beliefs, asserting that Japan should take on a more active

role in international affairs.

However, the situation has boiled down to a battle for numbers. Once it became apparent that Mr Watanabe could not bring enough followers from the LDP, and Mr Masayoshi Takemura of the NRP was trying to join the coalition's left with LDP liberals, Mr Ozawa quickly changed his course.

Although a self-proclaimed reformer of Japanese politics, Mr Ozawa has had to resort to tactics nurtured under Mr Kakuei Tanaka, Mr Noboru Take-shita, and Mr Shin Kanemaru, the former powerbrokers of the LDP. "Mr Ozawa knows too well that political power only lies in numbers," says Mr Takao Toshikawa, editor of Tokyo InsideLine.

But during the TV appearance in front of housewives, Mr Ozawa denied wanting to become prime minister. As much as he would like to stand at the helm, Mr Ozawa realises he must remain the shadow shogun. He knows that, once he steps into political limelight, his days of power and "money" politics alongside Mr Takeshita and Mr Kanemaru will come back to haunt him.

## Bangladesh to be urged to spend more pledged aid

By Stefan Wagstyl in Dhaka

Bangladesh is this week expected to secure about \$2.1bn in pledges of foreign aid from its donors at its annual aid consortium meeting in Paris.

The funds, in loans and grants for the year starting in July 1994, will help pay for food and the development of infrastructure and social services in Bangladesh, one of the world's poorest countries. The promised funds will be about the same as in the past two years.

However, officials from donor governments and organisations led by the World Bank are likely to press Bangladesh to use more of the aid it is pledged. The Bangladeshi government has consistently failed to absorb all the promised aid and has allowed a backlog of some \$5.5bn in unspent pledges to accumulate.

Aid disbursement has been held up mainly because government officials have been unable to implement rapidly the construction and other projects to which much aid is dedicated. Despite efforts to accelerate public investment, there will be little progress in this regard in 1993-94. The government's annual development programme budget has already been cut from Tk97.5bn to Tk85bn (\$2.16bn) because of delays.

Mrs Khaleda Zia, the prime minister, said in an interview that she was trying to accel-

erate public investment. "Steps are under way to remove procedural bottlenecks and speed up both public investment and aid utilisation."

The World Bank sees the lack of public investment as a drag on economic growth. In the year to the end of June 1994, bank officials expect to see GDP growth to be a modest 5 per cent or less. The country is unlikely to improve rapidly the lot of its poor unless it achieves growth of 6-7 per cent, say bank officials.

This growth rate can be reached, they add, only if investment rises from last year's level of 13 per cent of economic output to 18-20 per cent.

Government officials accept this argument and are trying to raise the ratio to 14.5 per cent this year and 15.5 per cent in 1994-95 by increasing public investment. The public works programme should get a boost from the start of construction on a \$700m bridge across the Jamuna river in central Bangladesh - the country's largest investment scheme.

To stimulate private investment, the government is extending the liberalisation of foreign trade and investment it has carried out since taking power in 1990. Last year the taka was made fully convertible on the current account. Exports, led by garments, are forecast to grow by nearly 20 per cent this year and next, extending recent rapid rises.

## China holds three for boat deaths

Under intense pressure to explain how 24 Taiwanese died in a boat fire, China announced yesterday the arrest of three men suspected of robbing and murdering the tourists, AP reports from Beijing.

China's failure to explain the mysterious boat fire that killed 22 people - eight mainland Chinese and the Taiwanese tourists - on a lake in eastern China on March 31 has been threatening the growing debate between the two sides.

Taiwan announced plans last week to ban travel to China and to suspend cultural exchanges unless Beijing gave a satisfactory explanation.

After first describing the fire as an accident China said on its national television news that the Taiwanese had been robbed and murdered on Thousand Island Lake by three young men.

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## NEWS: INTERNATIONAL

## Stronger global economic expansion forecast in 1995

## IMF predicts 3% growth

By George Graham  
in Washington

The International Monetary Fund is forecasting world economic growth of around 3 per cent this year, with a stronger recovery to between 3½ and 4 per cent growth in 1995.

In its world economic outlook, due to be published on Wednesday just before the twice-yearly meeting of finance ministers on the IMF's interim committee, the IMF predicts that global growth this year will approach the average level it achieved in 1976-85, before moving above the average next year.

Growth in the developing countries is expected to remain "remarkably steady", according to a senior IMF official, while in the industrialised world only the US, Canada, the UK and the Nordic countries have pulled out of recession.

"We are still below average in the industrialised countries, because we still have only one or two engines working, while the others are struggling," a senior IMF official said.

IMF economists believe that the Japanese economy has bottomed out, and that with normal output in continental Europe the world economy should produce growth well

above its historic trends next year.

"Globally speaking, the economy is well into the growth phase of its cycle," an official said.

The IMF believes the big industrialised countries have followed many of the prescriptions it laid out at last year's spring interim committee meeting: completion of the Uruguay Round of trade negotiations, efforts to tackle the budget deficit in the US, lower interest rates in Europe and an attempt at fiscal stimulus in Japan.

Nevertheless, they warn that the current recovery carries an

extremely negative overtone, because it has not been accompanied, particularly in Europe, by any appreciable recovery in employment.

"The risk is that the level of structural unemployment establishes itself somewhere above where it was at the end of the last recession," a senior official said.

This unemployment problem was tackled by ministers from the Group of Seven leading industrialised countries in Detroit last month, and is expected to be on the agenda for the full G7 summit of presidents and prime ministers in Naples in July.

## Support for SDR issue sought

By George Graham

The International Monetary Fund is looking for new ways to make its idea of expanding global foreign exchange reserves more palatable to the industrialised countries by spreading the expansion out over five years.

IMF managers are expected next week to ask finance ministers from member countries as they have at each of their twice-yearly formal meetings for the last three years, to think again about a new issue of special drawing rights, the basket of currencies that the Fund uses as its own accounting instrument and which also functions as an international reserve asset.

Mr Michel Camdessus, the IMF's managing director, has repeatedly called for a new allocation of SDRs (\$50.4bn) to member countries, arguing

that many countries - especially those in eastern Europe and the former Soviet Union who have joined the IMF since it last issued new SDRs in 1981 - are desperately short of currency reserves.

These new members have no SDRs in their reserves, but older members have been reluctant to pass on any of their own SDRs. The IMF's statutes forbid a restricted issue of SDRs to only some members.

In the face of continued hostility to the issue from Germany, the US and the UK, which fear the injection of new reserve assets could fuel inflation around the world, IMF officials have drawn up a scheme to allocate only SDR16bn at the outset, adding SDR5bn more each year until international reserves have reached the desired level.

"It would be a distinct mis-

take for the world not to avail itself of an SDR allocation at this moment. There is a huge number of countries with insufficient reserve assets, and a huge number of countries whose import capacity is constrained by lack of reserves," a senior IMF official said.

Progress going at 'a respectably slow pace'

Officials have been dismayed at the difficulty of extracting money from the industrialised countries to finance development through instruments such as its enhanced structural adjustment facility (ESAF), which lends money at very low interest rates to the poorest countries.

They argue that an SDR allocation would help to finance

development ends by monetary means, rather than drawing on scarce budgetary resources and requiring long parliamentary debate in donor countries.

Parliamentary debate would, however, be necessary in many countries for a further plan for industrialised countries to give back their share of an eventual SDR allocation to the IMF, to help finance the developing countries and the transitional economies of eastern Europe and the former Soviet Union.

The IMF has suggested a mechanism of co-financing trust accounts, under which richer countries would voluntarily put up their resources to complement the IMF's own financing.

IMF officials acknowledge that the idea of an SDR allocation is unlikely to come to fruition any time soon, but insist that it is making progress "at a respectably slow pace".

## Brazil completes deal to restructure \$49bn debt

By Angus Foster in São Paulo

Brazil has completed the restructuring of about \$49bn of commercial debt, in the last of the main Latin American Brady-style debt reschedulings. The deal, agreed late on Friday night in New York, brings to an end more than a decade of uncertainty over Brazil's relations with the international financial community.

Mr Rubens Ricupero, who took over as finance minister earlier this month, described the deal's conclusion as "an important milestone" in the country's "continuing programme of economic reform".

But with presidential elections this year, and an unstable economy, there is unlikely to be a rush of confidence and foreign investment into the country, as happened in

Mexico and Argentina after they completed similar restructurings.

The Brazilian deal was also concluded without the agreement of the Darts family of the US, who hold about \$1.4bn of the debt and are the largest non-bank creditors. The Darts opposed the terms of the restructuring and may take legal action to try to reverse the deal.

Brazil and about 750 private creditor banks completed the elaborate debt restructuring after nearly four years of negotiations to exchange the country's old debt for new and reduce its total debt burden. The deal offered creditors a choice of six options to repack loans and interest overdue into new bonds with maturities of up to 30 years. Brazil's central bank estimated the deal

would reduce its debt by \$4bn and bring \$4bn more savings in debt servicing costs.

The Brazilian deal differed from other "Brady-style" restructurings - so called after the 1986 initiative from former US Treasury secretary Nicholas Brady - since it was the first main deal to be concluded without a standby accord from the International Monetary Fund. The IMF was concerned that Brazil's economic reform efforts are still uncertain.

Without IMF backing, Brazil used \$4.6bn of its own foreign exchange reserves as collateral for some of the six options. The first instalment of the collateral, equal to \$2.6bn in the form of US Treasury zero coupon bonds, was delivered on Friday to the Bank of International Settlements, collateral agent.

## Intimidation found ahead of Malawi election

By Nick Young in Lilongwe

Serious anomalies in the run-up to Malawi's elections on May 17 are noted in a report published today by a UN Joint International Observer Group, reinforcing earlier findings of the national Electoral Commission.

Both bodies report intimidation, violence, bribery and theft or confiscation of voters' registration cards. The ruling Malawi Congress party emerges as the main culprit, but some opposition parties are also said to be engaged in turf wars and violent disruption of opponents' rallies.

The UN report suggests that government ministers have used the civil service apparatus for campaigning purposes, and note that one MP registered himself and his family at two separate centres.

Concern is also expressed about police Inspector General MacWilliam Lunguzi's assertion that policemen are not allowed to engage in politics, and therefore may not vote. The UN observers see this as a contravention of the electoral law and the Electoral Commission is threatening to prosecute him.

The Electoral Commission estimates that 80 per cent of those eligible to register have done so. This figure is described as "respectable" by the UN group, which does not consider the abuses it has found to be an insuperable barrier to free elections.

The punishment is no schoolyard caning. It is administered by a specially trained officer with considerable force. "The prisoner is strapped to a tree. The skin at the point of contact is usually split open and, after three strokes, the buttocks will be covered in blood," said one official account. The canings usually leave permanent scars. The Singapore authorities say a doctor is always in attendance. Next week Singapore's Presi-

## Israel eases Palestinian bar

By Julian Ouzane in Jerusalem

Israel yesterday slightly eased an 11-day-old ban barring the nearly 2m Palestinians from entering into Israel but said closure of the occupied territories would continue indefinitely.

Mr Amnon Rubinstein, education minister, said the cabinet had agreed yesterday to grant 16,000 entry permits to Palestinians for humanitarian reasons and 4,000 work permits for Palestinians employed in Israel's agricultural sector.

The government approved Shk30m (\$10m) for public works and aid to assist Palestinians suffering from inability to travel to their jobs in Israel since the entry ban was imposed by the Jewish state to try to prevent attacks by Palestinian extremists.

The cabinet also issued a strong warning to the Palestine Liberation Organisation after hearing security reports which alleged the PLO had local co-operation agreements with the Hamas Islamic Resistance Movement, responsible for two recent suicide attacks on Israelis. The warning to the PLO came after Mr Yitzhak Rabin, the prime minister, lashed out at Jordan last week for allowing Hamas to operate offices and issue media statements in Amman and called on the government to close down Hamas offices.

King Hussein on Saturday said Hamas was illegal in Jordan and denied his government helped the Islamic guerrilla group. Hamas responded saying it would strike Israeli and Jewish targets worldwide if Israel attacked its leaders or political and media offices abroad. Hamas's military wing said it would consider such



Chief Israeli negotiator Gen Amnon Shuhak arrives at a Cairo hotel yesterday for negotiations with the PLO.

attacks "a start of a new war in which Israeli blood and interests and Jewish communities around the world are open

attacks on Israeli civilians if Israel halted assaults against Palestinian civilians.

Israel's concern about Hamas rose as the PLO and Israel resumed peace talks in Cairo on a long-delayed agreement providing for Palestinian self-rule in the occupied West Bank town of Jericho. Major General Amnon Shuhak, head of the Israeli delegation, said: "I do not expect we will finish this week, but let us see what happens next week."

Israel and the PLO have several issues left to finalise including the security-zoning arrangements in the Gaza Strip, the jurisdiction of Palestinian courts in Gaza and Jericho - especially their power to prosecute Israelis - the fate of Islamic extremist prisoners held by Israel, and water issues.

On the economic track of talks in Paris, both the PLO and Israel say they could complete an agreement by the end of this week to establish the economic relations between Israel and the self-governing Palestinian economy. Both sides have already reached final agreement on energy, industry and agriculture and have a conditional understanding on taxation subject to agreement on the rate of value added tax to be levied in the Palestinian economy. The two sides have yet to agree on labour relations, particularly on the size of the Palestinian migrant work force that will be allowed to fill jobs in Israel, and Palestinian demands for their own currency.

Meanwhile, Israel yesterday attended multilateral Middle East talks on water issues in Muscat, Oman. The talks are the first official visit by an Israeli delegation to the Gulf.

## View from Judea and Samaria

ISRAEL

By Julian Ouzane

No Israeli newspaper can fuel public fears quite like the *Jerusalem Post*, the English-language daily broadsheet which acts as a mouthpiece for the country's right and ultra-right wing.

The events of the past 10 days - three attacks by extremist Islamic guerrillas which left 13 Israelis dead - have given the Post the opportunity to indulge in the sport of trumpeting the Palestine Liberation Organisation, the Israeli-Palestinian peace process and the government of Prime Minister Yitzhak Rabin.

"Like the dictatorial regimes which support them, the terrorists believe that negotiations should be accompanied by shooting," the Post said last week.

"Those who say, as the government has done, that the right response to terrorism is to accelerate the negotiations and withdrawal process... are doing precisely what the terrorists want them to do."

Editorials like this led the Post's owner, Mr Conrad Black, to publish a centre-page opinion piece last September making it clear that he disagreed with his newspaper's editorial policy.

The Post has its own political language - all Arab guerrillas are "terrorists"; the Israeli-occupied West Bank is known by the biblical name "Judea and Samaria"; the territories are "administered", not "occupied".

It also gives regular platforms to right-wing politicians such as Mr Ariel Sharon, Israel's leading hawk. In an opinion article last week Mr Sharon described the incoming Palestinian police force as

"murderers" and said the government was "perpetrating an immense security crime against Jews in the State of Israel" by allowing the policemen into the territories.

Another favourite pastime of the Post is trumpeting foreign correspondents reporting Israel in a weekly column called "Eye of the Media" usually written by Mr David Bar-Ilan, the newspaper's executive editor. The column takes the view

papers, including two business tabloids, for a population of 5m. With the exception of the religious *Hatzofeh* newspaper, Israel's Hebrew press is centrist to left-wing. They support the peace process as the only realistic option.

"It is hard to understand why the opposition wants the government to suspend the talks after every attack," the respected liberal *Ha'aretz* newspaper said last Friday.

"Crying and condemning is not the answer," said *An-Nahar*. "The answer is Israeli withdrawal from the West Bank and Gaza Strip. The Palestinians have sacrificed much blood and have made many concessions to regain their rights but Israel continues to get around international law."

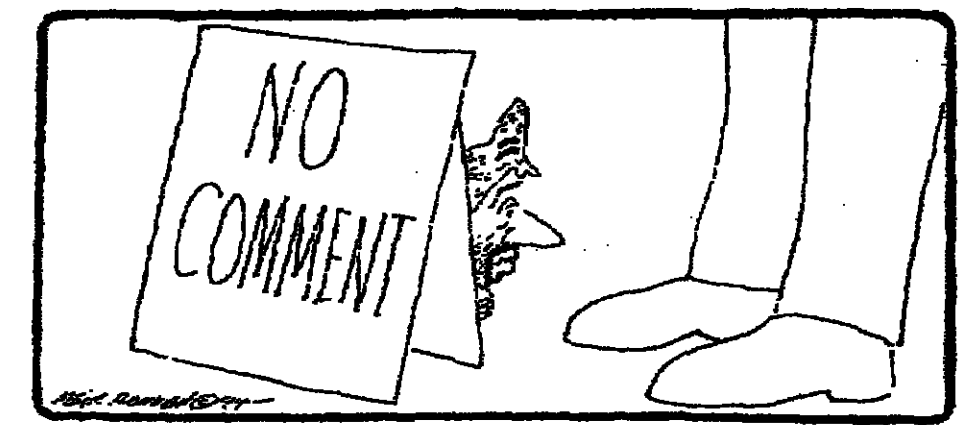
In a series of editorials last week *Al-Quds* compared the closure to a "siege" which had caused a near collapse in the education and health services of Arab East Jerusalem.

"Someone should stop Israel from imposing these wanton measures that only complicate and intensify the situation, making peace more difficult," the paper said.

"The strength of a people is measured not only by the number of tanks it possesses, but also by its capacity to live with casualties and loss of life."

The 1.9m Palestinians who live in the territories are less well provided for by media and news and views are disseminated by leaflets, underground pamphlets and by a graffiti war between the factions.

Two Arabic daily newspapers, however, are published in the West Bank under careful monitoring and censorship by Israel and both newspapers are pro-PLO and pro-Arafat,



"Statue" - title of Meir Ronnen cartoon in the Post on Arafat's refusal to condemn guerrilla attack

## Cane opens up east-west divisions

Kieran Cooke on the international row over a Singapore vandalism sentence

There may be some people in the US still unsure where Singapore is on the map, but probably considerably fewer than six weeks ago.

In early March Michael Fay, an 18-year-old US citizen, was sentenced by a Singapore court to six strokes of the rotan - a heavy bamboo cane - four months in jail and fined \$3,500 (\$2,200) for spray-painting cars and other vandalism offences.

The punishment is no schoolyard caning. It is administered by a specially trained officer with considerable force. "The prisoner is strapped to a tree. The skin at the point of contact is usually split open and, after three strokes, the buttocks will be covered in blood," said one official account. The canings usually leave permanent scars. The Singapore authorities say a doctor is always in attendance. Next week Singapore's Presi-

dent Ong Teng Cheong is due to decide whether to grant clemency to Fay. Despite personal appeals for mercy from President Bill Clinton, most people in Singapore say the teenager has little chance of clemency - before the end of the month he will be receiving his punishment.

Singapore's leaders, with support from many other Asian governments, are mounting an increasingly strident campaign against what they consider to be the decadence of the west and the importance of what they call Asian values. In Singapore the Fay case - and the west's reaction to it - is seen as symptomatic of the clash between two very different value systems.

From the outset Singapore has made its position clear. "We do not have a situation where acts of vandalism are commonplace as in cities like New York, where even police cars are not spared the acts of

vandals," said the Singapore Home Affairs Ministry.

In the Singapore catechism of Asian values, the west stands accused of putting too much emphasis on individual rights and not enough on society's. Elder statesman Mr Lee Kuan Yew has said that without its tough criminal laws Singapore would have descended into the "chaos" found on the streets of the US. "If you like it that way, that is your problem," said Mr Lee. "But that is not the path we choose. They always talk about human rights. I think it is just a convenient slogan."

The White House, Congress and much of the US media have been strongly critical of Singapore. But a large section of the US public, tired of violence and a justice system which they feel often favours the culprit more than the victim, is giving its support to Mr Lee.

Singapore has no hesitation about attacking the US. Foreign ministry officials list what they consider to be the failures of US foreign policy, and are particularly forthright about what they judge to be Washington's mistakes on China.

Yet Singapore is dependent on the US for much of its continuing economic growth. US companies are the biggest investors there, with cumulative investments of nearly \$19bn, according to official US figures. The US is Singapore's biggest export market. The island republic is also an ardent supporter of continued US military presence in Asia.

Initially US business in Singapore reacted strongly to the Fay sentence. The local American Chamber of Commerce said it could not understand how the government could condone the permanent scarring of any 18-year-old: the case could "cast a cloud over Singapore's international reputation".

But some US residents of Singapore have supported the caning, while US multinational companies continue to invest.

Fay's family - his stepfather is the Singapore-based regional executive of Federal Express - and his defenders in the US have argued that because of all the publicity surrounding the case, the teenager has not been treated fairly. They say he is the first person to be sentenced for causing vandalism of private property. He is also the first youth to be given a caning for damaging cars.

The authorities say the law makes no distinction between public and private property, nor the type of property involved.

Singapore's leaders are adamant that it will allow no outside interference in its internal affairs. Nor do they show any sign of altering a system of punishment which has been done away with in many parts of the world.

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The societe anonyme under the title "ASTIKA AKINITA A.E." (43 Panepistimiou Street, Athens 105 64) with the capacity of special liquidator of the societe anonyme under the title "ALTIS TOURISTIKO AND EMPORIKO KENTRO A.E." with head offices in Ancient Olympia, by virtue of the provision of article 46a, Law 1892/1990 which was added to the provision of article 14, Law 2000/1991 and Resolution No. 357/1994 of the Patras Court of Appeal.

INVITES all interested parties to declare their interest for the purchase of the total assets of "ALTIS TOURISTIKO AND EMPORIKO KENTRO A.E." which was founded on 18.10.1983 with the object of exploiting tourism and commercial centres in Ancient Olympia and other Greek cities, by submitting within a term of twenty (20) days from the publication of the present a non-binding declaration of interest in writing.

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Peloponnese, on the Regional Road Pyrgos-Tripoli on the edge of the city and near the ancient site, opposite the OTE building and the Town Hall. Its title is "ALTIS".

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Handwritten signature and date: 18/4/94



# Rail network faces spending squeeze

By Charles Batchelor,  
Transport Correspondent

A squeeze on the £1.8bn cost of maintaining Britain's railway network has been pledged by Mr Bob Horton, chairman of Railtrack, the company which this month took over management of British Rail's infrastructure.

Mr Horton, chairman of Railtrack, the company which this month took over management of British Rail's infrastructure. "We will be negotiating with BRIS to make sure we get maintenance tenders at significantly lower costs," said Mr Horton. "By international comparison these costs leave something to be desired and we can probably drive them down."

Reducing maintenance charges forms one of the first priorities for Railtrack if it is to make the return on capital which is required by the Treasury and create a business that will attract private investors in a few years. It must earn a return of 5.6 per cent on its £8.5bn of assets rising to 8 per cent after four years.

Initially Railtrack will buy in maintenance services from the BRIS units but it hopes also to make use of outside contractors to increase competition. Ultimately the BRIS units themselves will be privatised. Some are expected to merge to form larger, more viable organisations.

The implications for the 35,500 people employed by the infrastructure units are unclear but job reductions appear likely. Mr John Edmonds, the chief executive of Railtrack, said: "I would not underestimate the working practice problems we face."

The clampdown on maintenance spending forms part of a broader programme aimed at obtaining better value for money by Railtrack. "We want to take the capital we have available and use it to get the railway into the state of maintenance it should be in," said Mr Horton. "We don't want it sloshing around going to the person who shouts the loudest."

## Britain in brief



### Union chiefs in minimum wage clash

A public argument broke out last night between senior union leaders about the future of the opposition Labour party's commitment to a statutory minimum wage. Mr Bill Morris, general secretary of the TGWU general union said that Labour should commit itself to support a statutory minimum wage of not less than £4 an hour. But Mr Bill Jordan, president of the ASSEU engineering union, denounced Mr Morris's proposal to fix a precise figure on a national minimum wage as "irresponsible".

The survey calculates the income needed to maintain the standard of living of eight families. It found that the overall costs of goods and services increased by 3.7 per cent in the year to February, but private housing costs fell by 2 per cent due to lower mortgage rates and lower local taxes.

### BSkyB gives up channel stake

British Sky Broadcasting, the satellite television consortium, has decided not to exercise its option to keep a 50 per cent stake in QVC, the home-shopping channel which is part of Sky's multi-channel subscription package. The decision has been taken even though the channel appears to be doing well and is heading for revenues of at least £40m in its first year.

### Hoover customers lobby US parent

Representatives of the Hoover Holiday Pressure Group are to fly to the US for a meeting on Friday with the Maytag Corporation, Hoover's parent company, over Hoover's controversial free flights promotion. The pressure group, which says it has 2,500 members, plans to pursue High Court action against Hoover if it fails to win reassurances at the meeting.

### Pay-offs for executives fall

The size of pay-offs to redundant executives has dropped by a quarter over five years, according to a survey by Drake Beam Morin, redundancy consultants. In 1989 a typical pay-off was just over four weeks' salary for every year of service; by 1993 this had fallen to just over three weeks, the survey found.

## Slow retail sales growth as taxes curb consumers

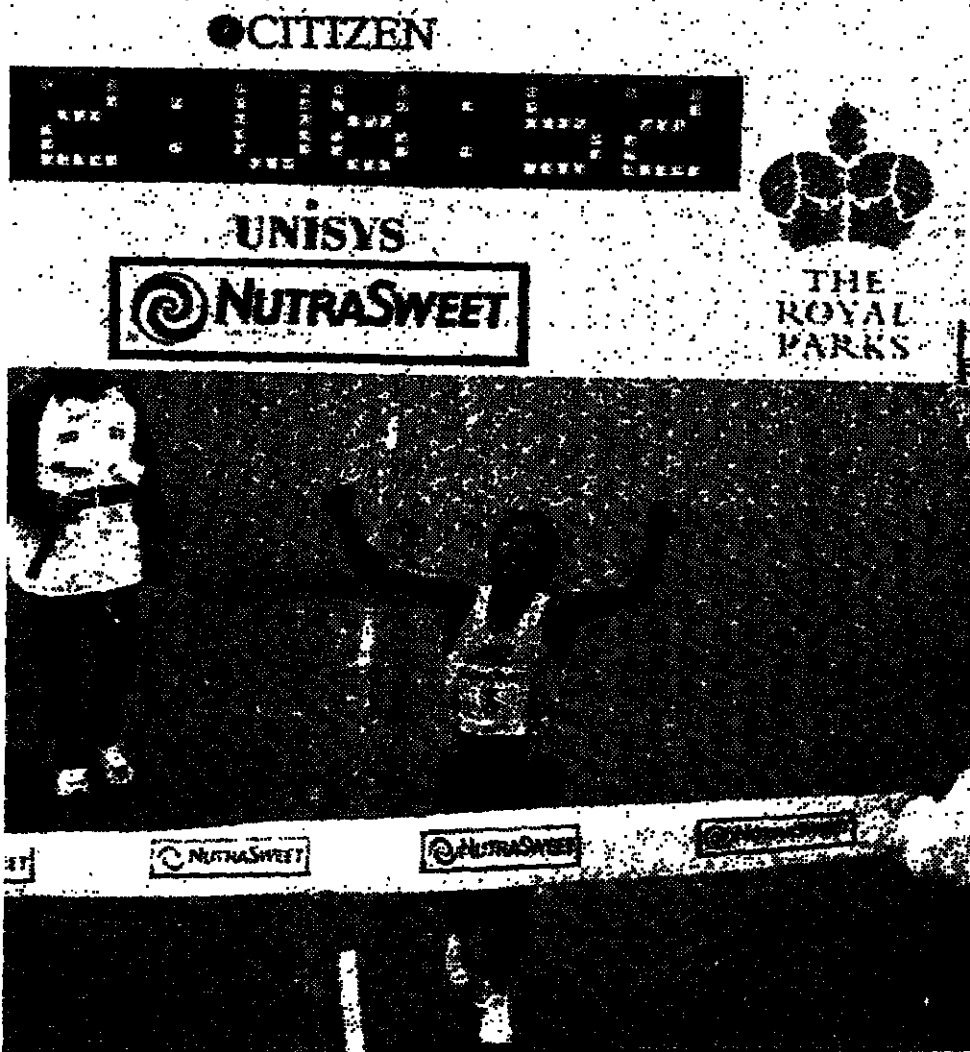
By Philip Coggan,  
Economics Correspondent

UK retail sales grew only slowly in March, according to the latest distributive trades survey from the Confederation of British Industry. The survey will be seen as further evidence that consumers have become cautious ahead of the increases in taxation that are imposed this month.

are announced on Thursday, hopes of an early interest rate cut will increase. The recently published minutes of meetings between Mr Kenneth Clarke, chancellor of the exchequer and Mr Eddie George, governor of the Bank of England, showed that the chancellor was worried about the potential impact of this month's tax increases on the recovery.

of the necessary conditions. The CBI survey shows that the balance of those reporting an increase in sales in March, compared with a year ago, was 12 per cent, compared with 10 per cent in February. The balance in early 1994 have been much lower than the levels of 20-30 per cent recorded in the second half of 1993. Figures are calculated by deducting the proportion of those experiencing a decrease in sales from those reporting an increase.

## SWEET LONDON MARATHON '94



More than 26,000 runners competed in London's 14th marathon yesterday which was won by Mexico's Dionicio Ceron (above) in 2 hours, 8 minutes. The race, which finished on the Mall in front of Buckingham Palace instead of its usual ending at Westminster Bridge, was the capital's coldest marathon. It was marred by the death of a competitor, expected to be from heart failure.

## Civil service pay overhaul

By David Goodhart,  
Labour Editor

Thousands of civil servants working in Customs and Excise will get no pay rise this year unless they reach basic performance targets. The deal is the first of what could be a series of innovative pay agreements in the civil service agencies which have taken control of pay negotiations for the first time.

the Inland Revenue already have devolved bargaining. The Customs and Excise deal, which the unions hope might set a trend, will increase the pay-bill by about 2.6 per cent. But unions claim it will increase the pay of some clerical workers by over 5 per cent. There will be no pay rise at all for senior or junior staff who do not reach basic performance targets but the unions say this is unlikely to affect more than a few dozen people.

cent to 6.5 per cent. As the pay deal covers a 14 month period the annualised pay rise will be slightly lower. The Customs and Excise agreement involves overhauling the previous complex pay grading structure and provides more flexibility and a higher performance pay element. Mr Mike King, who negotiated the deal for the NUCPS civil service union, said that despite the unhappy experience with some performance pay systems the union was confident that the Customs and Excise system would work well.

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Thousands of rescuers have in fact been spared severe injuries, or a worse fate, thanks to products developed by DuPont.

**NOMEX for firefighting missions**  
In fires, seconds can mean the difference between life and death. Fireman Rolf Blum was quite aware of that when rescuing a three-year old girl



Suits which offer prolonged protection push back the pain threshold from a blazing house: he was wearing a protective uniform of light-weight, flame-resistant NOMEX III. In direct contact with flames, such suits offer prolonged protection, push back the pain threshold. Wovens of NOMEX III maintain fabric integrity under flame and heat, which is a most effective contribution to protection against burn injuries. It is for these reasons that West Midlands, one of England's biggest fire brigades, opted for NOMEX "Delta T", a product specially deve-

loped for firefighting requirements. The safety of rescue teams is increasingly valued among our Eastern neighbours, where more and more fire services are being equipped with intervention uniforms made of NOMEX. How these can save lives in mishaps was recently experienced by a Hungarian helicopter pilot. Fuel suddenly ignited right in the middle of refuelling. He found himself engulfed in an enormous ball of fire from which he escaped unharmed thanks to his workwear of NOMEX III. He was even able to extinguish the fire, thus avoiding complete loss of his aircraft.

**KEVLAR provides protection against bullet threats**  
More and more criminals think nothing of using firearms these days. Constable Udo Blaumann became painfully aware of this when he was hit in the region of the heart by a bullet fired from a pistol only six metres away. Luckily, he was wearing a ballistic vest of KEVLAR - so he survived unharmed.

Equally effective are the seamless, cut-resistant surgeons' gloves. KEVLAR is a para-aramid fiber developed by DuPont, and wovens for ballistic vests are among the products for which it is ideally suited. Some of them weigh less than two kilos so they easily fit under a uniform. To date, such vests have saved the lives of more than 1,500 policemen - now members of DuPont's KEVLAR "Survivors Club". In cooperation with industrial and research institutions, DuPont stages seminars on safety. Working together with authorities across Europe, these serve to foster further development of protective garments.



Seamless, cut-resistant surgeons' gloves may be less spectacular, but made of KEVLAR they are equally effective in protecting against accidental scalpel cuts and resultant infections when operating on, for example, HIV-infected patients.

**TYVEK wards off invisible danger**  
Safety standards are exceptionally stringent in the nuclear industry. A major problem in handling radioactive materials being that potential danger can be neither seen, felt nor smelled. Staff in high-risk areas must therefore be permanently protected by proper apparel.



Vests of KEVLAR and suits of NOMEX or TYVEK comply with highest quality standards and European norms. This is where TYVEK has long proved its outstanding advantages. Developed by DuPont, the spunbonded material

acts as a tight barrier that retains more than 97% of minute, invisible particles down to 0.6 microns. Skin contact with radioactive particles is thus precluded. Particles cannot cling to the smooth, antistatic, lint-free surface of TYVEK. Moreover, it is tear-resistant, pleasantly supple and light-weight, and won't be affected by moisture or chemicals. To meet the exceptionally high demands needed in the field of protective apparel, DuPont has teamed up with the industry to develop the quality assurance programmes needed for gloves and ballistics vests of KEVLAR and for suits of NOMEX or TYVEK. These comply consistently with the highest quality standards and the most recent European norms - so that our rescuers can be assured they are being protected effectively.

**Innovations by DuPont**  
NOMEX, TYVEK and KEVLAR were developed by DuPont's Engineering Fiber Systems, as were SONTARA, TEFLOX, TYPAR, CORDURA, ZEMDRAIN and high tenacity NYLON. All of these products continue to add new benefits to all manner of applications - from household goods right through to space travel.

DuPont is one of the world's leading suppliers of engineering fibres. In Europe alone, it has invested almost \$600 Million in production facilities to better serve local market needs.

**DuPont Engineering Fiber Systems**  
P.O. Box 50  
CH-1218 Le Grand-Saconnex (Geneva)  
Tel. ++41/22/717 5111; Fax 717 5109



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With new *WorldPlus Communication Service*, I am elated knowing I have a companion there to help me communicate with anyone, anywhere, anytime.

Opinion 156

Intro  
Con



In the world of global communication, the best friend a business person can have is fast, trustworthy and forever loyal. Which is why we created new WorldPlus Communication Service. It is personalised access to an advanced international network from over 40 countries and locations. Simply dial an access number and your account number and get clear phone connections in a matter of seconds. As well as 24-hour customer service in your own language. And yes, WorldPlus service can perform some valuable

In short, with WorldPlus service by your side, you'll feel a little more at home in the global village.

Our monthly bills are not only itemised, they're billed in your own currency.

To get around time zones, even busy signals, we'll let you record 60-second messages and specify when and where you want them delivered.

Have your faxes sent to your WorldPlus fax mailbox number and stored until you have access to any fax machine around the world.

To save your sanity as well as time, you get double-digit codes for your most frequently dialed phone numbers.

We'll let you teleconference with two other people in two other places.

Over-the-phone interpretation is available between English and 140 languages to help you and the person you're calling understand each other.

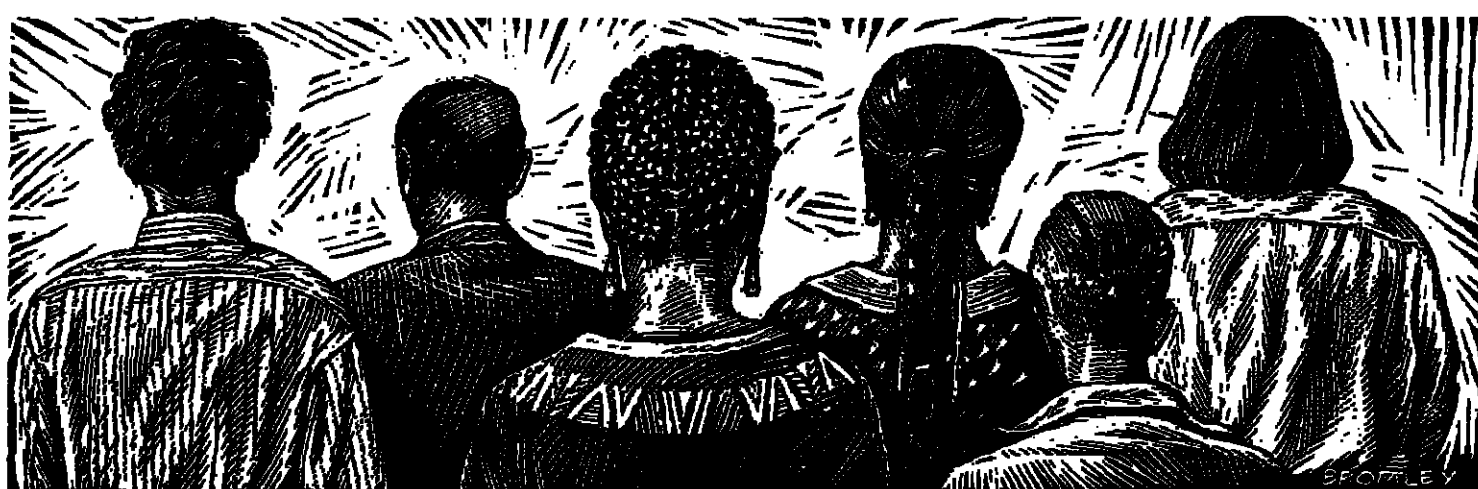
## Introducing WorldPlus Communication Service



WorldPlus



MANAGEMENT



# Outsiders welcome

US companies are developing workforce diversity, says Victoria Griffith

In a lecture room in the Bank of Boston, an executive is pretending to declare his homosexuality. He is taunted, laughed at and ignored for half an hour by his co-workers. When this role-playing exercise is over, he talks about how it felt to be an outsider.

The employees are taking part in a diversity training course, which aims to attune them better to the feelings of others. The bank's management hopes that when they return to the office, the trainees will show more willingness to work not only with homosexual colleagues, but with any co-workers who are different from them.

Through diversity training and other programmes, US corporations are attempting to grapple with the opportunities and challenges of an employee base which is increasingly heterogeneous.

Throughout the 1990s, minorities, white women and immigrants will account for 85 per cent of net employment growth in the US, according to the DCI Armory, a group of specialists in diversity.

To prepare for the changes, some 60 per cent of leading businesses in the US are offering or planning diversity training courses, says Myron Block, a diversity consultant for consultancy Harbridge House.

The US private sector first had to deal with a more diverse workforce in the 1970s, when the federal government enforced the hire of minorities. Corporate concerns are different now from 20 years ago, however. For many companies, compliance with the law remains the main priority, but an increasing number say greater diversity makes good business sense.

"Diversity is a competitive edge

issue," says Darlene Siedshlaw, executive director of diversity for the telecommunications group US West. "There is no question that the marketplace is more diverse than it has ever been. It adds to our bottom line to have a diverse workforce to serve that marketplace."

If a marketing force is too homogeneous, it risks committing big errors when addressing diverse audiences. "By having Hispanics on our staff, it helps us to realise things about their culture," says Leslie Mays, director of diversity development for footwear manufacturer Reebok. "For instance, we have discovered that Hispanics are usually very brand loyal. The brands they use when they're growing up are what they usually use later on. So we know that when marketing to that group, we should target a young audience."

Telecommunications group AT&T points to language barriers it can encounter. "We use Spanish speakers to sell our services to the Latino market, and Mandarin speakers to sell to the Chinese-American market," says Joann McPhearson, district staff manager of AT&T.

Diversity can be important for other reasons. With the rise in popularity of ethical investments, some investors screen companies before deciding where to buy shares. "A diverse workforce attracts more shareholders," says McPhearson.

But if diverse groups often show more creativity - at least if the problems relate to their diversity - they can also be difficult to manage. Studies show, for example, that diverse groups can take longer to accomplish tasks. "Diversity can create more interpersonal conflict

and slow things down," says Susan Jackson, associate professor of psychology at New York University. "Companies need to learn how to minimise these conflicts to take better advantage of diversity."

Diversity training has become an important tool for corporations facing these challenges, but the nature of the courses varies greatly. Some rely on lectures to illustrate the history of black liberation, or the nature of sexual harassment, for instance.

Black actor Bill Cosby's video on bigotry in the workplace is popular. Other formats encourage employees to open up about their personal prejudices. "People in our training courses analyse their heritage and the messages they got when they were growing up," says Block.

Open conversation may not always be a good idea. "It opens a can of worms on the legal front," says Jackson. "If an executive admits to sexual harassment during a training course, for example, can he be fired?"

Many executives question the value of diversity training on its own, not least in its effects on other employees. "Standalone diversity training is not enough to bring change to any corporation," says Siedshlaw. "It can even be harmful. In the 1980s, we felt a lot of backlash from white males who felt excluded from the diversity initiatives. Now, we have a programme on the difficulties of being a white male in today's society and it's a big success."

The most successful companies in dealing with diversity, researchers say, are those that make diversity part of their corporate culture. Increasing attention is paid to companies' diversity profiles. "We

review trends in our employment profiles every month to make sure we're not losing diversity," says Mays.

To ensure that the company maintains a diverse employee base, Reebok, along with a growing number of companies, makes diversity part of the criteria managers are judged by. "We look at the diversity of the group they manage before they came in and after they have been there for a while. And we talk to them about how they helped position different people for career advancement."

With more companies seeking minorities and women, recruitment for these groups can often be fierce. "We've had to change the way we recruit college graduates," says Siedshlaw. "If you just go to the placement office, you will limit yourself, because people of colour are less inclined to use the office. You need to go to campus organisations, the Society of American Indians, for instance. We've had excellent results with the new programme. Over the last two years, 50 per cent of new hires were people of colour."

AT&T even adapted its redundancy programme and abandoned seniority as a criterion for lay-offs. "If we had just fired the people who had been at the company the least time, we would have been left with a more homogenous workforce," McPhearson explains.

To make sure recruits want to stay once they are hired, many companies have encouraged constituency groups, to act as liaisons between employees and management. Digital Equipment, for example, has a number of these groups, including the African Heritage, Asian Leadership and Gay Plus.

One minute Felix Warnock was playing bassoon in the Orchestra of the Age of Enlightenment. The next he was running it. As general manager he found himself drawing up business plans, budgets and new management structures. It was a far cry from baroque music.

The arts is full of people like Warnock, who clamber into management by virtue of being good bassoonists, singers, actors. While lawyers and accountants also become senior managers on the basis of their skills as practitioners, they tend to be better prepared for their new responsibilities. Arts managers are expected to adapt to their new jobs without outside help.

The business school route is closed to them. The cost of a one-week course, around £2,500, could make the difference for some arts companies between profit and loss.

Business in the Arts is attempting to fill the gap with a scheme, sponsored by English Estates, for sending arts managers on management courses. So far nearly 50 managers have been put through the mill, and are now attempting to apply business school recipes to their dance groups, orchestras, theatres, galleries and museums.

Budget reductions over the last decade have meant that arts organisations have needed all the management skills on offer. "There has been a revolution in the last 10 years. No one in the arts is owed a living anymore," says Barbara Warnock, director of Yorkshire and Humberside Museums. "We all need training. Most of us are handling public money. If people had better training they could make better use of the money."

One might have expected some mutual culture shock in plunging an arts manager into the sterile world of the business school. For a start they talk a different language: the average arts manager has never heard of total quality management, and has little idea of what a stakeholder is. Meanwhile, their counterparts in business have no conception of the realities of running a museum or opera company.

"For the first few days I was definitely regarded as an oddity," says Warnock, who attended the Leadership in Management course at Sundridge Park, Kent. Ian Ritchie, general manager of Opera North, felt that colleagues on his course at Ashridge "didn't see how somebody like me was actually running a serious

## Another string to their bow

Lucy Kellaway on arts managers in search of business skills



Portrait of the artist as a young manager: Felix Warnock

business". But by the end of the week, the similarities between arts companies and a regular business appeared more remarkable than the differences.

On the Making Change Work programme, Ritchie and his course-mates agreed that the problems of managing change were similar whether they were selling reinsurance or putting on operas. On the leadership course it emerged that the difficulties of motivating people are the same whether they are musicians or bank clerks.

"The issues they raise are very similar," says Susan Segal-Horn at the Cranfield School of Management. "Arts companies need to be able to manage downsizing and outsourcing, to decide where to invest resources and, above all, manage short-term and long-term strategic change. These issues are bog standard. They are the same for Marks &

Spencer, for transportation companies, for everyone." Many arts managers, though, believe their problems are especially tricky. Ritchie argues that Opera North is as complex as a multinational, although he employs only 160 people and has a turnover of just £9m. He says the financial constraints are especially onerous. "People were amazed that my annual objective is to achieve breakeven. A swing of 1 per cent means missing the target by £80,000. Others said they did not have targets that tight."

As well as confirming how difficult their jobs were, the courses provided the arts managers with some concrete help. Warnock claims to have returned from her strategic management course at Cranfield "with a missionary zeal". Her first action was to commission Leeds University Business School to do a customer relations survey of her 180 client museums.

She then tore up the existing corporate plan, which she saw to be a model of aspirations, and replaced it with precise measurable targets. Next, she signed up for Investors in People. Finally, she took her staff through the exercises she had learnt. "The course helped me to think in a structured way of the business environment. I had lots of information, but didn't have the tool kit to analyse where changes were coming from, and which were the most important in the short, medium and long term." Warnock, who says the course has moved sideways to the new position of arts administrator, says his main lesson was the need to listen harder to the views of his colleagues. Ritchie is still hoping to find time to go through the wad of paper he accumulated on the course.

Some of the arts managers felt they taught their business colleagues a thing or two. "The others found my presence refreshing," says Ritchie. "I was talking about change in organic terms. One can be very theoretical about techniques of making things happen, but can lose sight of the structure as a fluid thing."

While all enjoyed their week's immersion, they are wary of any trend to elevate general skills of management above those of creativity. Warnock warns that "management training can be destructive if it is too narrow. There are very few people at London Business School who understand how an orchestra really works. You need 60 people to play a Beethoven symphony. It would seem logical to pare it down, but you can't."

## BUSINESS TRAVEL

### Daniel Green on what the Delta-Virgin link-up means for passengers

# Catching a common code

Last week's tie-up between Delta of the US and the UK's Virgin Atlantic, the latest in a series of transatlantic deals, might lead some to conclude that a revolution in business travel is in the offing.

It is not, say airline industry executives privately. The business of "code sharing", the centrepiece of these deals, is largely to do with the financial health of the airlines and does little for passengers. It may even mean some people feeling misled about which airline they are flying.

Code sharing allows airlines to book passengers on each others' flights. Code-sharing partnerships include British

Airways and USAir, Dutch carrier KLM and US airline Northwest, and the triple alliance of Delta, Swissair and Singapore Airlines. One of the biggest yet, between United Airlines of the US and Germany's Lufthansa, is scheduled to start this year.

In practice, code sharing means a passenger in Albuquerque, New Mexico, could ask the travel agent for a flight to London's Heathrow airport and be given a Delta ticket. That ticket will have a flight number beginning "DL" and show that the flight goes via New York's JFK. The passenger might then fly Delta to New York and from there to London on Virgin.

For the airlines, the advantage is clear. They can plug into each other's networks, claiming, for example, that they fly to destinations serviced by the partner's aircraft. They are able to advertise more destinations, and marketing is cheaper because costs can be shared within what is effectively a larger network.

The risk for passengers is that they might book a flight with one airline and travel on another. "It is something akin to false pretences if this is not made clear when the ticket is bought," says an executive with an independent airline organisation.

Virgin is at pains to say that its agreement with Delta is

"transparent" - that passengers will know exactly what is happening when they inquire about their flight. It points out that there are other aspects of the deal that benefit passengers more directly. Virgin will share Delta's JFK terminal so the connection is easier. Moreover, the airlines are linking frequent-flyer programmes, so mileage points can be earned on either.

Similar co-operative arrangements are in place with the likes of Northwest and KLM, and BA and USAir. But it is possible to achieve them without code-sharing deals - as Virgin has done with British Midland and BA has with Cathay Pacific.

ANNUAL TRAVEL INSURANCE POLICIES				
Insurer	Premium*	Trip limit	Other options?	
Accident & General	£130	90 days		F
American Express	£79.50	91 days		F, L, P
Barclays	£97.50	90 days		F
Bradford & Bingley	£99.50	90 days		F, L
BUPA	£130	91 days		F, L
Cable Direct	£139	90 days		B, F
Columbus	£79	60 days		F
Crispin Speers	£140	60 days		B, E, F, P
First Direct	£75	91 days		F
Fitzell	£117.78	3 months		E, F, L
Home & Overseas	£108	30 days		F
Midland	£75	61 days		F, L
N & P	£75	90 days		F
Thomas Cook	£125	60 days		F
Wexat	£98.50	10 weeks		F

\*Individual, comprehensive worldwide cover for holiday and business travel. Options available: £100-£200. Excludes: Europe only. Excludes: terrorism cover. Excludes: luggage. Excludes: P, Pre-arrival, £10. Excludes: business travel excluded.

Likely weather in the leading business centres					
	Mon	Tue	Wed	Thur	Fri
Tokyo	21	22	21	20	20
Hong Kong	28	27	27	28	28
London	14	11	11	12	14
Frankfurt	11	14	15	16	18
New York	18	21	21	24	24
L. Angeles	22	23	24	26	24
Milan	16	17	18	17	19
Paris	12	13	15	16	15
Zurich	11	14	15	16	18

Maximum temperatures in Celsius. Information supplied by Meteo Consult of the Netherlands.

## When it pays to check your policy

If you were dispatched on a business trip at an hour's notice, would your medical bills be covered if you had an accident? Even if you were given more notice, would you check the cover offered by company travel insurance?

Managers of small companies and the self-employed need to be particularly careful that accidents or losses abroad do not leave them out of pocket. Insurers say a growing number of people are taking out annual travel insurance policies, which provide cover for any number of trips in a year and eliminate the need for last-minute arrangements. Columbus, the specialist travel insurer, says sales of annual policies rose 39 per cent over the past year.

For anyone who travels regularly, an annual policy is often cheaper than buying insurance for each trip separately. Most annual policies cover business trips, but do check - a few, such as NatWest's and Abbey National's, exclude them.

There is usually a limit for each trip of two or three months; a few cheaper policies impose an overall annual limit for time spent outside the UK - about 150 days.

Premiums for a single person vary from about £75 to about

£140. Most annual policies provide at least £1m cover each for medical expenses and personal liability.

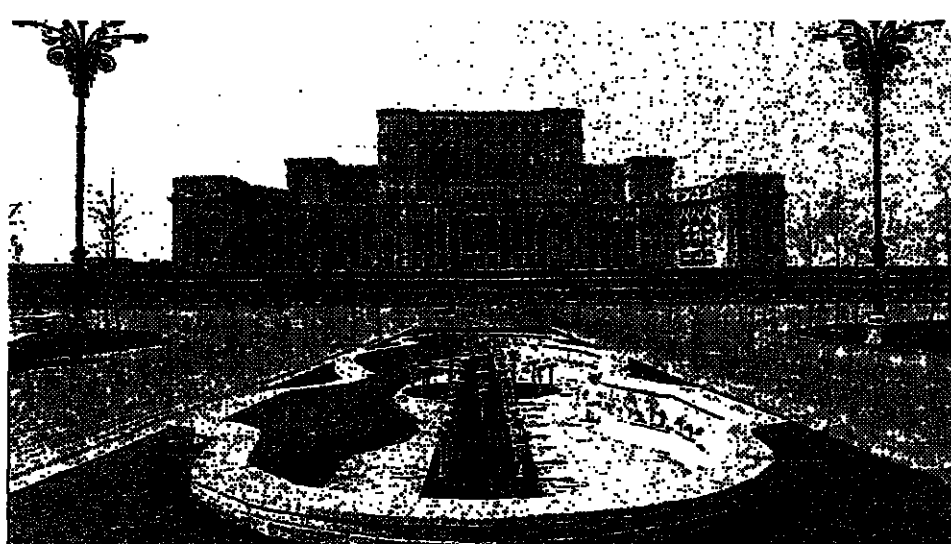
Differences on other details - such as cancellation and curtailment, legal expenses, compensation for delays, and lost or delayed baggage - can be marked. Cancellation cover ranges from £1,000 with Columbus's most basic policy to £12,500 with the American Express Premier policy.

Some insurers offer a choice of cover. If you never go outside Europe, why pay extra to cover potential hospital bills in the US? And if your home contents policy covers personal belongings outside the home, why pay to cover luggage a second time? Bradford & Bingley building society gives a 30 per cent discount to £75.00 to anybody whose luggage is already covered.

Anyone planning to ski or go scuba diving should check the small print. Most annual policies include limited skiing cover (usually 17 days a year), but some exclude it.

Most annual insurance can be extended to cover your spouse and/or children for less than the price of another individual policy.

Bethan Hutton



Ceausescu's palace: designed to be visible from space, it will house dignitaries attending the forum

## Bucharest bustle

Virginia Marsh offers tips on visiting the city

Bucharest's most powerful landmark is the massive white marble, gold and concrete monstrosity that the late dictator, Nicolae Ceausescu, named the Palace of the People. This weekend, this monument to megalomania takes on a new role. It will house the heads of state and other dignitaries attending the Grans Montana Economic Forum - the first big international conference in Romania since Ceausescu's overthrow in 1989.

The city is undergoing rapid change. Cars imported from the west choke the main boulevards, which are lined with smart new cafes, showrooms filled with foreign goods, and dozens of small boutiques and food shops. Foreign and local companies vie for the billboard space along the road from the recently modernised airport.

Every morning peasants fill the city's many open air markets with their wares: round smoked cheeses encased in wax, soft white goat's cheese, cured country hams, sour cream, fresh herbs and spices.

However, Bucharest remains a frustrating place to visit. The following tips should help.

● At the airport, the traveller must stand in two queues, one to buy a visa (\$35), the other to have the freshly stamped document examined by immigration. It is probably not worth getting a visa in advance; the best tactic is to fight your way off the aircraft in order to be

first in the visa queue.

● Book your hotel room. Bucharest's few business hotels are often full. Demand has pushed up prices to international levels despite the generally lower standards.

Most of the big hotels are within easy walking distance of the main commercial district. The InterContinental, in the central university square, remains first choice. The elegant but down-at-heel Hotel Continental is popular with frequent visitors, such as World Bank or IMF officials, while the Hotel Bucuresti is useful for those with political interests - out-of-town MPs fill one-third of its rooms.

Ask your hotel to send a car to collect you from the airport, for \$14 to \$22. Taxi drivers usually try to charge a lot more for the 15km ride.

● Take cash, preferably dollars; credit cards and travellers' cheques are not widely accepted. Licensed exchange houses (Casa de Schimb) often offer better rates than hotels or banks, which are crowded and open only in the morning. Avoid changing money on the street swindlers abound.

● Take the right clothes: Bucharest is very hot in the summer and very cold in the winter. Business dress is not formal: jacket and tie for men, dress or skirt for women.

● Avoid running out of your favourite shampoo or toothpaste. Basic items can be hard to find.

● Allow enough time between appointments: punctuality is not a Romanian strong point. Meetings tend to ramble on, especially if you are using a translator, although English and French are widely spoken.

● The telecommunications system is terrible, so do not count on making or receiving international and domestic calls easily. If possible, make international calls early in the morning or late at night, when the lines are less busy.

The system is being modernised, but this means that telephone numbers change constantly. If you have problems reaching contacts, call international directory inquiries.

At this time of year, Romanians start opening their roadside Terasa (terraces), where you can recover from a day of protracted negotiations over a beer or a glass of wine or Tulca, the fiery local plum brandy. La Premiera, behind the national theatre, is one of the best.

Afterwards, it's worth wandering off the main boulevards into one of the old residential areas, where you can catch a glimpse of the richness of pre-communist Bucharest. Transylvanian turrets, dripping with Belle Epoque plaster work and wrought iron and neo-Gothic villas stand alongside eastern-looking Orthodox churches and classic 1930s apartment blocks. This architecture provides the perfect antidote to Ceausescu's palace.



## Train attack

Gummen thought to be Moslem militants attacked a train in southern Egypt on Saturday night, the first such assault in more than a month.

They opened fire on a sleeper travelling from Aswan to Cairo but no one was injured, security sources said.

The attack took place near the town of Abu Tig, on the Nile 340 km south of Cairo, at about midnight.

Eight trains have been attacked in roughly the same area this year. The attacks have had a devastating effect on the tourist industry.

## Calm in Indonesia

Indonesian soldiers were patrolling Medan in northern Sumatra on Sunday as some shops raised their shutters and life began to return to normal after three days of violent labour protests and looting.

Banks, businesses and cars were attacked in some of Indonesia's worst rioting in years and one person was reported killed. Bands of protesters barricaded roads between the city and the industrial zone and port of Belawan, stoning cars, shops and passers-by.

## Colombian tragedy

At least 22 people were killed, most of them burned alive, in a fiery multiple traffic accident on a highway just outside the capital Bogota, police said Saturday.

A cargo truck collided with a car and small bus that had crashed moments earlier along a highway near the town of Granada, about 20 miles southwest of the capital, police said in a statement.







# THE MONDAY People page

## Henderson in from the cold

The man at the centre of Britain's arms-for-Iraq trial re-enters the business arena. Jimmy Burns reports

Paul Henderson, the businessman at the heart of Britain's Iraqgate affair, was not easy to single out amid the clutter of the workaday exhibits at a UK machine tools fair in Birmingham last week. But his anonymity - sitting in the temporary stand numbered 3056 in the huge exhibition hall - belied how much he has learned about how to promote himself when he needs to.

On the day John Major, the prime minister, visited the fair, Henderson - silver haired and with the looks of an ageing television soap opera actor - chose to announce he was setting up a business partnership with John Butcher, the Tory MP, and former junior minister for trade and industry to boot.

Henderson's resurrection from what had seemed business oblivion is not without its ironies. Butcher's assessment of his partner as a patriotic, unfairly maligned businessman conflicts directly with the assessment of Lord Trefgarne, another former trade minister. It was Trefgarne that, in a public hearing on the arms-for-Iraq inquiry held by Lord Justice Scott at the end of March, accused Henderson of lying. And yet here was Henderson apparently putting himself forward once again as a symbol of the government's dishonesty and hypocrisy.

With his new venture - the takeover of welding company Production Systems International - Henderson hopes to return to the business mainstream he was suddenly ejected from when in February 1991 he was charged with breaking government export regulations.

He was no stranger to publicity. In the wake of Iraq's invasion of Kuwait, Henderson had already raised eyebrows as the managing director of Matrix Churchill, the Midlands-based machine

tool company that was under Iraqi ownership. The case against him, which collapsed, was that Matrix Churchill broke export regulations by supplying Iraq with machine tools destined to help make arms. During the trial in November 1992 Henderson's defence lawyers revealed he had worked for British intelligence.

The government is still counting the cost of the ill-fated legal action. Later this week Henderson's solicitor plans to present the arms-for-Iraq inquiry with further evidence that British officials were involved in approving the export to Iraq of dual use machine tools capable of military applications.

Since his trial found him not guilty, the 57-year-old businessman has been a thorn in the flesh of government and Whitehall. Much of the evidence heard at subsequent public hearings appears to have strengthened the public perception that the Matrix Churchill trial should never have taken place.

"I've met a wide spectrum of people since the Scott inquiry got under way, complete strangers who have come up to me and said how absolutely disgusted they are by what the government did," says Henderson.

In fact the jury on Henderson is still out. Allies like his new business partner, portray him as a patriot and unfairly maligned businessman, his detractors - and unsurprisingly there are many within Whitehall - see him as a publicity seeker.

He has attended the Scott inquiry on and off as a member of the public, never shying away from making himself available for comment on evidence relating to his case. Such exposure has put pressures on his family life - as a Catholic he remains a committed parent - but he insists he has volunteered his availability to the media as part of a personal crusade to bring to light the



Paul Henderson at the Birmingham tools fair last week

injustice and double-dealing of a system of government he had always felt utterly loyal to.

He counts among his favourite family portraits that of his son David, a soldier of the 1st Battalion Coldstream Guards being presented to the Queen at a royal cocktail party.

Certainly Henderson adopts a disarmingly straightforward manner when he describes the most controversial aspect of his working life: his recruitment by the British intelligence services. "I agreed to work for the intelligence services for two reasons," he says. "The first was the glamour...the second was simply if I could help my country why not? In all honesty, at that stage the glamour aspect was more attractive to me than the patriotism."

An MI6 officer codenamed Balsom, who was Henderson's controller has described him as an "extremely brave man". Balsom says: "Few people I have met would take such risks and take them so much in their stride, with all the pressures on them."

Yet Henderson believes the intelligence services in the end betrayed him as much as any other government department. He may have once got a kick out of leading a double life, but today he regrets the day he was ever recruited.

"When intelligence services get

involved with businessmen, they must be prepared to account for their actions. What I have learnt out of all this is something I would have preferred not to have learnt: that the British government I believed in was duplicitous."

Yet there are very different - unflattering - accounts of Henderson's behaviour. In his evidence to Scott, Lord Trefgarne graphically described a meeting he had with Henderson to establish exactly what Matrix Churchill was selling to the Iraqis: "I don't think I could have done more than look him in the eye and ask him what the machine tools were for. He told me. I now believe he deceived me."

Those who have distanced themselves from Henderson in recent months include Mark Gutteridge, his former business partner. Gutteridge has not only severed his business links, but has kept a personal distance from Henderson in recent months.

Businessmen within the machine tool industry are angry about the negative publicity for British exporters generated both by the Matrix Churchill trial and the Scott inquiry.

The business venture announced last week has been treated with some scepticism. "Henderson is a salesman, not a businessman," commented one executive. Many will be watching closely to see whether he has the skills to build up the small welding group which only broke even last year.

## Personae

### Boonstra's light switch

By Ronald van de Krol in Amsterdam

Philips, the Dutch electronics group, has tapped yet another high-flyer in marketing to strengthen its board and bolster its return to profitability.

The company, traditionally strong in inventing products but not always as successful at selling them, will appoint Cornelis Boonstra, former president and chief operating officer of Sara Lee, the US-based food and personal products group, to the head of its lighting operations in the summer.

Boonstra, a 55-year-old Dutchman, will also join the management board and look after activities in the Asia-Pacific Region.

Boonstra, whose abrupt departure from Sara Lee in January came as a complete surprise, is scheduled to replace Einar Kloster, who is stepping down from lighting in July to return to his native Norway. Significantly, however, Boonstra will be given a place on the board, expanding its membership to six directors. Kloster, a scion of Norway's Kloster shipping family who spent more than 30 years with Philips, never belonged to the management board, though he did sit on the wider group management committee.

The appointment of Boonstra, whose "heavy-weight" status as a top US corporate executive puts him in the running as a potential heir to Jan Timmer,

Philips' president, is part of the group's search for marketing expertise.

The move also extends the trend at Philips towards giving top jobs to outsiders with extensive international experience.

Earlier, Pierre Everaert, a Belgian-born naturalised American, was coaxed away from the chairmanship of Ahold, the Dutch food retailer with several supermarket chains in the US.

Philips also recently announced that Floris Majers, chairman of the Dutch arm of Unilever, the Anglo-Dutch soap-to-margarine manufacturer, will become chairman of the group's supervisory board, a position usually filled by retired Philips executives.

### Into Bank Negara's hot seat

Ahmad Mohamed Don steps into the hot seat as governor of Bank Negara, Malaysia's central bank, on May 1. Late last month Bank Negara announced foreign exchange trading losses for 1993 of M\$5.7bn (\$2.1bn). Subsequently Jaffar Hussein, the central bank's governor for the last nine years, announced his resignation, writes Kieran Cooke.

Ahmad, a 47-year-old British trained chartered accountant, has a tough job on his hands. Bank Negara's 1993 losses followed on from a deficit of over M\$9bn the previous year.

For the past three years Ahmad has been chief executive and managing director of Malaysian Banking or Maybank, the country's biggest financial institution. He joined Maybank in 1983 as head of its treasury division where he earned a reputation as a highly successful head of foreign currency trading operations.

He will be reviewing his new bank's overall foreign exchange trading policy. The Malaysian finance ministry recently instructed Bank Negara to stop its "excessive" foreign exchange dealings.

### Greenwald flies friendless skies

By Richard Tomkins in New York

"There's never been a problem I don't like solving," said Gerald Greenwald, chairman-designate of United Airlines, the biggest US carrier, last week. "And I like working with human nature."

It is just as well: for as boss of an airline that has been targeted for the world's biggest-ever employee buy-out, the 55-year-old former Chrysler vice-chairman could find himself facing problems and nuances aplenty in his new role.

Under a deal hammered out by United's management and labour unions - but yet to be approved by shareholders - the airline's employees have agreed to big pay cuts and other labour concessions in return for a controlling stake in the company.

It is a bold endeavour, but nobody knows quite how worker control will pan out. Who, for example, is to say that employees will not cripple the company by voting themselves big pay rises once they have a foot in the boardroom door?

Greenwald, the unions' nominee for the chairmanship,

clearly relishes the challenge ahead.

In a New York presentation aimed at selling the deal to United's shareholders, he spoke repeatedly in terms of making history with the buy-out.

In one sense, history has already turned full circle. Four years ago Greenwald was heir apparent to Lee Iacocca as Chrysler's chairman when he abruptly left the car maker to head an earlier union buy-out plan at United. That buy-out collapsed, however, leaving Greenwald to join Dillon Read, a Wall Street investment bank, before going on to head the restructuring of Olympia & York Developments, the failed Canadian property development group.

Now established as a bit of a trouble-shooter, Greenwald is currently chairman of Tetra, a Czech Republic truck company, where he has been retained until February 1995 to turn the company around. But United is where he really belongs, he says, even though he has no previous airline experience.

He must be spending many a quiet hour praying that United's shareholders agree.



The Commonwealth of Independent States (CIS) needs access to western market economies. Equally, many European companies are interested in developing new business relationships further east. A fully functioning telecommunications infrastructure is a fundamental prerequisite for meeting these objectives.

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ARTS  
GUIDE



Up on the slopes of Table Mountain, looking across the Cape Flats towards the distant purplish mountains, Cape Town University is blessed with a beautiful campus in a unique setting. The main buildings are built in local stone, a large figure of Cecil Rhodes gazes north from a comfortable sitting position. From the arts block, home to John Coetzee and Andre Brink, this view is marred on closer inspection by the sprawl of the townships and squatter camps which start just at the point where the suburbs end and the wind-swept flatlands begin. It stretches as far as the eye can see along the once pristine sweep of False Bay. The university and the Cape Peninsula are now separated from the rest of the country by an isthmus of misery.

It is not surprising with this reminder of the true state of the nation, this painful contrast between the serene university and the squalid townships, that teachers of the arts are suffering a crisis of identity. No academic I spoke to has come to terms with the role of culture in the new South Africa. With people dying in ever-increasing numbers and a grim realisation that the new South Africa may in some ways be worse than the old, the cultural debate has urgency but little cogency.

One of South Africa's finest essayists, Stephen Watson, describes his feelings one day as he was preparing to lecture at the university: "I was forced to realise with a feeling akin to vertigo... that I no longer knew what I was saying." Watson found himself overwhelmed by the conflicting claims of university as ivory tower and as "site of struggle". In some degree every academic in the old, white, universities has suffered this confusion.

The reasons, apart from the sheer scale of the devastation, are not hard to understand. Saul Bellow famously asked: where is the Zulu Tolstoy? Here the questions are, if there is a Zulu Tolstoy, how is he going to come to our notice? In what language is he going to be published? What - white - academic is going to unearth him? And what Scandinavian country is going to subsidise his airfares to international seminars? A number of academics suggested to me that their work in township poetry, drama and workshops was their justification for continuing to teach English literature. Others have shed away from the relevance of J.M. Coetzee's bleak novels to the South African predicament could hardly be greater, yet his work is coded and free of partisan content by being set in placeless and timeless shadowlands. Nadine Gordimer, by contrast, believes in direct participation in the cultural and political



The Market Theatre of Johannesburg's version of 'Woza Albert' demonstrates the real progress of black theatre in South Africa

## A language for the Zulu Tolstoys

Novelist Justin Cartwright asks if art must be a political weapon in the new South Africa

struggles, both as sponsor of the Congress of South African Writers and ANC member. Her writing, too, is clearly set in time and place. If she is sanguine about the prospect of the ANC becoming just another political party, others find it difficult to accept that they should now show allegiance to a party after years of fighting for principles.

But while hundreds of people are dying each week, it is perhaps unsurprising that the coercive language of progressive thinking is flourishing. In some quarters the term "cultural worker" is used without irony to describe anyone in the arts or teaching fields. That this demonstrates a fondness for the language of totalitarianism, seems not to worry the ideologues. There is, of course, resistance to the notion, expressed by the ANC's cultural department, that the cultural to take sides is itself a form of taking sides. As Watson says, no artist, indeed no writer, is obliged to give up his freedom by speaking in the language of the day. This is quite a different issue from the poet Jeremy Cronin's plea in his poem *To Learn How To Speak* that South African writers

must "learn how to speak with the voices of the land". The one is a legacy of seminars in Eastern Bloc countries, the other is an artistic desire to find a new South African voice. At the heart of the marriage between ANC and communism is a historical compromise which makes it difficult to

'No artist is obliged to give up freedom by speaking in the language of the day'

know where the new government will stand on many issues. The Marxist element finds culture itself suspect. Something in its very nature is seen to be elitist. This leads to some dangerously naive conclusions. The Zulu Tolstoys should not be discriminated against just because they cannot write English. Some way must be found for liberating their writing from the hegemony of colonial language. (Colonialism is a proven term. It covers anything which smacks of Eurocentrism. One lecturer told me that if she wants to attract an audience

for Jane Austen she includes the word in her description of the course: *Jane Austen, colonial norms in pre-feminist society*.) And because the townships were, as Watson says, the crucibles of resistance, it is logical to believe that the most responsive art will emerge there. There is little evidence that this is so. Indeed, with the exodus to the suburbs of the educated it is unlikely ever to come to pass. Thanks to the struggle and Bantu Education, no major black literary figures have emerged since the generations of Lewis Nkomo and Wally Serote. Real progress, Nadine Gordimer says, has been made in the theatre where black actors are highly influential. The Market Theatre of Johannesburg has earned a reputation worldwide for its invigorating and challenging productions.

Abbie Sachs, the lawyer and ANC activist who was maimed in a car bombing in Mozambique in 1988, caused a furor by suggesting in an ANC discussion paper that culture was not a weapon of the struggle. Perhaps in his travels he saw too much of socialist realism. The way he puts it is: "We the ANC want to give leadership to the people, not exercise control over them." The counter argument, sometimes explicit, often implicit, is that all hands are required at the pumps. One poet suggested to me that while artists have personal freedom, they must study the struggle and learn from it. She seemed not to have considered the possibility that there could be more than one outcome of

the prescribed study. The protagonists are going to have something to get their teeth into the moment the issue of the theatrical and ballet companies and symphony orchestras is addressed by the new structures. ("Structures" is a word you cannot avoid in South Africa at the moment.) The bulk of government arts funding has gone into huge, ugly buildings housing these companies. Largely white audiences go to see largely white musicians and dancers performing the works of dead, white males. Sachs herself claims to have attended the

'... the counter argument is that all hands are required at the pumps'

Cape Town Symphony every Thursday religiously since his return in 1981 but he cannot see how the massive subsidies to foreign musicians can be maintained. A scramble for realignment is going on, with the old organisations trying desperately to prove their credentials. For example, the strangely embalmaged Performing Arts Council of the Transvaal has instituted creative workshops and appointed a black director for the Windy-brow Theatre. Township theatre groups have sprung up. Oral poets are being published. Northern Transvaal woodcarvers have many new admirers.

Behind this nervous quadrille are worrying questions: Who is to be the arbiter of taste? Who is to decide what is subsidised and what is dependent upon the free market? Is it to be the ANC's cultural department, or is it to be an independent Arts Council? To some this is as important an issue as whether or not the new government will attempt to force the economy along statist lines. It is an issue, like so much else in South Africa, which will depend on which tendency of the ANC triumphs in the next five years.

Heath of Broadstairs ("If Mme Dubonnet found out I'd be asked to leave under a cloud") but for the most part the shrill cut-glass accents pass for diamonds.

Wilson's rhymes strike one yet again with their insouciant ingenuity, wit and witlessness. ("I don't claim that I am a psychic but one look at you and I kick/away every scruple/I learnt as a pupil/in school, my dear"). The band (piano, percussion, bass) is under the direction of Geoffrey Brawn, almost as much an institution as *The Boy Friend* itself.

Occasionally one guilty yearns for Ken Russell's forbidden, and overripe, fruit: Jane Stogdole's jolly French maid is in the Hatfield tradition. State education has left us with uncivilised less Coward of Mayfair than

Martin Hoyle

*The Boyfriend*, Players Theatre, London. Box office: 071 839 1134

### Theatre

## The Mill is not on the Floss

George Eliot (1819-1880) confided to a friend in 1860: "the Mill is not even on the Floss." By the same token, at the Oxford Playhouse, the Shared Experience touring production of *The Mill on the Floss* is nowhere near Eliot. But it is no less enjoyable for that, and makes a laudable attempt at a difficult task.

The play starts with Maggie Tulliver reading about witches and drowning. This sets the tone for Maggie's unconventional life and watery death. Then follows the familiar story of the fall of the house of Tulliver, the death of Maggie's father, her vengeful aunts and uncles, her love for the son of the man who ruined her family, and her passionate affair with her cousin's fiancé. And a river runs through it.

Eliot works on the page and on film but not on stage because she needs a fixed point of view - one narrator or one camera. The theatre has too many possibilities. Shared Experience solved the technical problems better in their recent *Anna Karenina* and *A Handful of Dust* by giving the actors some of the narrative, allowing them to introduce each other. But here, the first half is a jumbled sequence of events which would be hard to follow without some Eliot pre-history. The second half works better because the characters are known.

Eliot was more interested in abstracts than this production allows. She was a Victorian agony aunt, having her characters speak truths about their situation and cure: "Being unhappy can become a habit," Eliot's world is all duties, ties and promises, the

invisible bonds that make a community. And that way of seeing life works better in print than on stage.

However, the production brilliantly has three Maggies: rebellious child, pious young woman and passionate, sensitive adult making a prime time Freudian tripartite personality. She would be a cert for Oprah Winfrey. "And what was the child in you telling you to do at that time?"

Shirley Henderson (young Maggie) is a fine actor; she brings poise, passion and just enough idiosyncrasy to the part. Around her, Simeon Andrews as her father and Ian Puleston-Davies as the brother who grows into him are both solid; Helen Schlesinger as the adult Maggie is a riot of indecision. She gives the lie to anyone who thinks Eliot cannot be presented sexily.

Elsewhere the acting is surer than the sloppy regional accents, which will hamper the proposed European tour. The set is commendably succinct - a stripped-out mill interior with ropes and grain sacks; and the costumes are a delight, especially when Maggie casts off the penitential blue serge and steps into a wicked black lace evening gown for a fateful charity ball. Nancy Meckler and Polly Teale direct Helen Edmundson's adaptation. They have taken on a difficult task, and have done better work with other adaptations. But that is George Eliot's fault.

Andrew St George

On tour to Cardiff (April 19-23, 0222 230461); Bath (April 26-30, 0222 448844); Brighton (May 3-7, 0773 328488); and London, Tricycle Theatre (May 11 - June 11, 071 328 1000).

### HRH

The first monarch to bear the name of Windsor was woefully deficient in warmth and communicativeness in his immediate circle. His posterity have unconsciously had their revenge by using the mass media to undermine the image of familial propriety. HRH, the new play at Mold, and off to Glasgow's Citizens Theatre in three weeks, reminds us of the scandal that rocked the dynasty over half a century ago. It also emphasises how lucky we were to be rid of Edward VIII.

On a circular date, like the face of giant sun-dial, the Duke and Duchess of Windsor pace out their gilded exile in wartime governorship of the Bahamas.

Given the playwright Snoo Wilson's blazingly imaginative way with history (he has a notable arabesque on Shakespeare and Elizabeth I to his credit), we expect an irreverent, perhaps surreal, bagatelle. In fact we get a dialogue full of the sort of anecdote, reminiscence and explanation inevitable with historical subjects, smacking of careful research but only occasionally igniting theatrically.

The style is naturalistic, though the stage darkens for moments of introspection or memory and brightens for everyday dialogue. Wallis resents David's abdication. He

adores her in a helpless, nice but dim sort of way.

He has also entrusted a shady businessman with Nazi sympathies with \$2m. As Wallis exclaims, "I'm 47, on my third marriage, and living with a barely-controlled alcoholic who's given a suitcase with our life savings to the local crook." The first act ends with the revelation that local millionaire, Sir Harry Oakes, has been murdered.

There follows a hypothetical explanation of the Duke's historical blunder in summoning police help from Miami without informing American or British authorities. Giles Havergal's direction can do little with such a static piece beyond sit the two characters down or stand them up, facing different directions. Maria Aitken (slinky black poolside wear, then stinky evening pyjama suit) elaborately opens and closes her legs and stylishly delivers the work's one flight of fancy, a dream combining images of sex and wealth. David Yelland, pudgily resembling the Duke, grovels at her feet with a slightly too plummy voice: royals then sounded less posh than BBC announcers.

Martin Hoyle

*The Boyfriend*, Mold. Box office: 0852 755114

I survived Ken Russell, complete with fantasy sequences and orchestrations by Peter Maxwell Davies. Now at an age when demure discretion is expected, Sandy Wilson's ersatz 1920s frivolity tape, charlestons and high-kicks, its enchanting way through a fortieth birthday season at the little theatre under the Charing Cross arches where it first saw the light of post-austerity day.

Forty-first, to be precise, but who would be so ungracious as to point out that the first, short version of this flapper-age pastiche appeared in 1963, while the full-length edition for the West End dates from January 1964? In a time of sexual equality, boyfriends, like girlfriends, are presumably entitled to arithmetical discretion.

In fact the new production by Maria

Charles, the first Dulcie, has wrought a certain old D'Oyly Carte on the piece, apparently recreating the original down to the last squeal and flourish. Not that there is much else you can do with the show, a perfect crystallisation of sweet, silly 1920s musicals perceived from a viewpoint part nostalgic, part amused, wholly affectionate. The songs ("I could be happy with you", "A room in Bloomsbury", "It's never too late to fall in love") could be taken for the authentic period product.

Disley Jones's bright designs are

### Musical theatre

## The Boy Friend hits 40

framed by a rose-clustered trellis. The Villa Caprice Finishing School is rightly dominated by Judith Bruce's Madame Dubonnet, her fractured Anglo-Gallic diphthongs indicating kinship with Peter Sellers' Inspector Clouseau. She strikes the right blend of involvement and ironic detachment - for all its resilience, the piece needs a delicate stylistic balance. I remember a Bristol Old Vic production somewhat overwhelmed by Eleanor Bron's conviction that she was the funniest thing on stage.

As the millionaire's lovelorn daughter

ter Polly Browne, Gemma Page has the right whitish, genteel English light soprano, very authentic. Unlike Twigg in the film, she refrains from tap-dancing, but Oliver Hickey as Tony (messenger-boy-cum-fugitive-from-the-peasage) dashingly makes up for it.

Occasionally one guilty yearns for Ken Russell's forbidden, and overripe, fruit: Jane Stogdole's jolly French maid is in the Hatfield tradition. State education has left us with uncivilised less Coward of Mayfair than

Wilson's rhymes strike one yet again with their insouciant ingenuity, wit and witlessness. ("I don't claim that I am a psychic but one look at you and I kick/away every scruple/I learnt as a pupil/in school, my dear"). The band (piano, percussion, bass) is under the direction of Geoffrey Brawn, almost as much an institution as *The Boy Friend* itself.

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### INTERNATIONAL ARTS GUIDE

#### BERLIN

**OPERA/DANCE**  
Staatsoper unter den Linden  
Tonight's performance of *Wozzeck* is the first of four conducted by Daniel Barenboim and staged by Patrice Chéreau, with a cast headed by Franz Grundheber, Waltraud Meier, Graham Clark and Günter von Kamen. This week's repertoire also includes *Die Zauberflöte* and a programme of choreographies by Alberto Alonso and Yuri Varnos (200 4762/2035 4494).  
**CONCERTS**  
Schauspielhaus Tonight: Leopold Hager conducts Berlin Symphony Orchestra in works by Bizet, Ravel, Satie and Debussy, with soprano Ruxandra Donosa. Tomorrow: Olaf Henzold conducts Lucerne

Symphony Orchestra in Berg and Schubert. Wed: Peter Schreier conducts CPE Bach Orchestra in Britten and Mozart. Thurs, Fri: Michael Schoenwandt conducts Berlin Symphony Orchestra in Berg and Beethoven, with soprano Patricia Wiese. Sat, Sun: Rafael Frühbeck de Burgos conducts Berlin Radio Orchestra in Beethoven and Brahms, with piano soloist Rudolf Buchbinder. Sun morning, next Mon evening: Edo de Waart conducts Berlin Radio Symphony Orchestra in Barber and Richard Strauss (2030 2156).  
**Philharmonie Tomorrow:**  
Philharmonie Quartet plays string quartets by Beethoven, Shostakovich and Brahms. Wed: Alois Koch conducts Choir of St Hedwig's Cathedral in sacred works by Mozart and Bach. Thurs, Fri: Daniel Barenboim is conductor and piano soloist with Berlin Philharmonie Orchestra in a programme of works by Mozart and Bruckner. Thurs (Kammermusikfest): Antonio Meneses, accompanied by Cecilia Licad, plays cello sonatas by Beethoven and Brahms (2548 8132).  
**THEATRE**  
● Der Religen (La Ronde): Jürgen Gosch directs Arthur Schnitzler's cynical comedy of seduction. Just opened at the Deutsches Theater (2844 1225).  
● Oleanne: Johanna Schall directs a new production of David Mamet's powerful two-hander at the Deutsches Theater Kammermusikfest. Opens on Sun (2844 1226).  
● Fool for Love (Liebestoll): a new Schauspiel production of one of Sam Shepard's most popular and powerful plays, about two

former lovers who have an emotionally explosive reunion in a motel room on the edge of the Mojave Desert. Directed by Elmar Goerden (890023).  
**NEW YORK**  
**THEATRE**  
● Passion: Stephen Sondheim's new musical based on Igmo Tarchetti's 1869 novel about a woman's unrequited love for a handsome young army captain. Directed by James Lapine. In previews, opens April 29 (Plymouth, 236 West 45th St, 239 6200).  
● Carousel: Nicholas Hytner's London production of the Rodgers and Hammerstein musical has been recreated with Michael Hayden heading the American cast as Billy Bigelow (Nathan Beaumont, Lincoln Center, 239 6200).  
● Medea: a transfer from London of the acclaimed Almeida production of Euripides' tragedy of revenge, starring Diana Rigg (Longacre, 220 West 48th St, 239 6200).  
● Angels in America: Tony Kushner's epic two-part drama conjures a vision of America at the edge of disaster. Part one is *Millennium Approaches*, part two *Perestroika*, played on separate evenings (Weiler Kerr, 219 West 48th St, 239 6200).  
● Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 824 5782).  
● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the

reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200).  
● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100).  
● Kiss of the Spider Woman: a musical with songs by Kander and Ebb and a star performance by Chita Rivera in the title role (Broadhurst, 235 West 44th St, 239 6200).  
● My Fair Lady: Howard Davies' genial new production of the Lerner and Loewe musical, with Richard Chamberlain as a suave Professor Higgins and Melissa Erico the attractive Eliza (Virginia, 245 West 52nd St, 239 6200).  
● Pounding Nails into the Floor with My Forehead: Eric Bogosian's monologue on life in the 1990s mows down all the sacred cows of political correctness. A scathing, scatological, exhilarating rant. Final week (Minetta Lane, 18 Minetta Lane east of Sixth Ave, 307 4100).  
**OPERA/DANCE**  
Metropolitan Opera The final week of the 1993-4 Met season brings Tosca, Otello, Aida and Ariadne auf Naxos. American Ballet Theatre opens a six-week season next Mon, including performances of Kevin McKenzie's production of *The Nutcracker*, the world premiere of a new work by Canadian-born choreographer James Kudelka and revivals of Tudor's *Echoing of Trumpets* and *Les Sylphides* (362 6000).  
State Theater New York City Ballet's Spring season opens on

April 28 with a two-week run of Peter Martins' production of *Sleeping Beauty* (870 5570).  
**CONCERTS**  
Avery Fisher Hall Thurs, Fri, Sat, next Tues: Leonard Slatkin conducts New York Philharmonic Orchestra in works by Haydn, Ravel, Debussy and Copland, with baritone Thomas Hampson, Sun afternoon: Andrew Litton conducts Boumoumoum Symphony Orchestra in Sibelius and Shostakovich, with violin soloist Cho-Liang Lin (875 5030). Next Mon in Alice Tully Hall: Cecilia Bartoli song recital (721 8500).  
Carnegie Hall Tonight and tomorrow: Giuseppe Sinopoli conducts Dresden Staatskapelle in two programmes, including symphonies by Brahms, Beethoven and Schumann. Wed: Ursula Oppens piano recital. Thurs: Jon Faddis conducts Carnegie Hall Jazz Band and others in works by Ellington, Jelly Roll Morton and others. Fri: New York Pops. Sat: Neeme Järvi conducts Detroit Symphony Orchestra in works by Rakhmaninov, Saint-Saens and Ellington. Next Mon: Pines Zukerman plays Brahms' Violin Concerto (247 7800).  
**PARIS**  
**DANCE/OPERA**  
Palais Garnier Opéra Ballet presents a new full-length work by Angelin Preljocaj tomorrow, Wed, Thurs and Fri. Entitled *Le Parc*, it is set to music by Mozart (4742 5371).  
Opéra Bastille Gluck's *Alceste* opens on Wed in a production by Achim Freyer originally staged for last year's Vienna Festival. Graeme

Jenkins conducts a cast led by Maria Ewing and Gary Lakes (repeated April 22, 26, 28, 30, May 3). Simon Keenlyside gives a song recital on Thurs (4473 1300).  
Opéra Comique The final three performances of *Werther* are tomorrow, Wed and Thurs, with Christian Paps and Luca Lombardo alternating in the title role. Laurent Petitgirard conducts a staging by Gilbert Bill (4286 8883).  
**CONCERTS**  
Théâtre des Champs-Élysées Thurs: Arturo Tamayo conducts Orchestre National de France in works by Ohara and Falla, with mezzo soloist Grace Bumbury. Sun morning: Lindsey Curlet plays Shostakovich and Mozart. April 26: Muri conducts Vienna Philharmonic. April 28: Soli conducts Così fan tutte (4952 5050).  
**JAZZ/CABARET**  
Texan blues and gospel singer Sonny Rhodes begins a two-week engagement tonight at Lionel Hampton Jazz Club, accompanied by his own blues band. Music from 10.30pm to 2am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042).  
**THEATRE**  
● Hamlet: Georges Lavaudant's swift, exciting new version of Shakespeare's play is in repertory till the end of the month at the Comédie Française, with Redjep Mitrovic as a fiery Danish prince (4015 0015).  
● Le Cid: a new production of Corneille's archetypal play of love against honour, directed by Francis Huster at Théâtre de Marigny (4256 0441).

**ARTS GUIDE**  
Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.  
**European Cable and Satellite Business TV**  
(Central European Time)  
**MONDAY TO FRIDAY**  
NBC/Super Channel: FT Business Today 1330, FT Business Tonight 1730, 2230  
**MONDAY**  
NBC/Super Channel: FT Reports 1230.  
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345  
**WEDNESDAY**  
NBC/Super Channel: FT Reports 1230  
**FRIDAY**  
NBC/Super Channel: FT Reports 1230  
Sky News: FT Reports 0230, 2030  
**SUNDAY**  
NBC/Super Channel: FT Reports 2230  
Sky News: FT Reports 0430, 1730;



# The Bretton Woods twins at 50



MICHAEL PROWSE  
ON  
AMERICA

The International Monetary Fund and World Bank have every reason to celebrate their 50th anniversary this July. Of course they have made some bad loans and shown insensitivity on some issues, such as poverty relief and the environment. But critics should remember that these institutions, on the whole, championed the right causes. They advocated free markets and conservative macroeconomics when such policies were reviled by the developing (and developed) world's intelligentsia.

Yet at this moment of triumph the future of the Bretton Woods twins is murky. Over the next 50 years the power and prestige of these agencies and many like them is likely to decline. This should not be read as a criticism of their mostly able and dedicated staff. It will instead reflect profound changes in the economic landscape - changes that are already beginning to reduce the demand for their bureaucratic services.

The fund and bank, admittedly, have adapted skilfully to changing circumstances. The fund no longer supervises a fixed exchange rate system (because that long ago vanished) nor is it concerned solely with short-term macro stabilisation. The bank has long ceased to be simply a supplier of project finance. Today, both institutions are engaged in "policy-based" lending, both are trying to promote structural reforms; both are concerned with long-term development. This suggests a clearer division of labour and some rationalisation of functions is possible, as the independent Bretton Woods Commission is likely to recommend later this year.

But a 50th anniversary year review of their operations ought to dig a little deeper. The fund and bank, I would argue, are engaged in three distinct activities: the provision of economic advice; the supply of development capital; and the certification of policies as sound or unsound. All three activities are separable, and all three can, in principle, be provided by the private sector.

On advice, there is now broad agreement on the mar-

ket-friendly policies likely to promote development. Private consultants are perfectly capable of devising economic reform strategies for developing and formerly communist countries. Meanwhile, the lifting of controls on capital flows and the growth of pension funds and other forms of institutional investment in rich countries has created a huge pool of mobile private capital.

From a trickle in the early 1980s, total private flows to developing countries have become a torrent, worth about \$110bn last year. They look durable because the bulk is long-term equity and bond finance. Foreign direct investment is now the single largest source of capital for developing countries, rather than official aid or loans, which have stagnated.

Despite this revolution, agencies such as the fund and bank claim to have a critical role even in the middle-income countries that can so easily attract private capital. They say they are uniquely well placed to influence economic policies - and thus promote development - because they can make loans conditional on policy changes. By serving as scapegoats, they claim they can also provide political cover for unpopular but essential domestic reforms.

There is something in this conditionality argument. The fund and bank can doubtless point to instances where reform would not have occurred but for their prod-

ding. But as the fund's problems in Russia illustrate, the leverage of external agencies is pretty limited in the absence of a domestic consensus for reform.

The long list of perpetual borrowers from the fund and

bank illustrates the dark side of policy-based lending. Governments promise to make reforms in order to get loans, and then renege on their promises. After a cooling-off period, the process repeats itself. The fund and bank thus become unwitting obstacles to reform; their loans enable countries to pursue rotten policies for longer than would otherwise be the case. Trying to be kind, they create more, rather than less, misery.

The private sector alternative seems far cleaner. If a country wants to implement market-oriented reforms, it can buy the necessary advice privately. Once it has proved its good faith, bankers and private investors will be clamouring at its doors. And it is not true, as some sceptics argue, that private investors are willing to risk their shirts only in relatively prosperous countries already under the tutelage of the bank and fund. The example of China, which attracted more than \$20bn in private inflows last year, shows that countries with very low per capita incomes can attract private capital without an official badge certifying good behaviour.

Yet the bank and fund are still needed. Even in a liberal global economic order, governments must co-ordinate policies, so as to avoid destabilising shifts in fiscal, monetary and exchange rate policy. There will still be financial emergencies, such as the debt crisis of the early 1980s. It is in these spheres, rather than conditional lending, that the fund has most to offer. The bank, meanwhile, should accept that many of its historic tasks can now be performed by private bodies; a slimmed-down agency should focus its energies on the poorest regions, such as sub-Saharan Africa, where the outlook for private investment is bleakest.

What the fund and bank can no longer deny is that the growing competence of the private sector in all aspects of development finance logically requires a tighter definition of their role. Public agencies, as they have long argued, exist to perform tasks that the private sector either cannot do at all, or cannot do well.

Politics and religion have often been uncomfortably close in Japan. And the two estates are getting closer these days, to the alarm of many in a country whose postwar constitution imposes a broad but imprecise ban on religious exercising political authority.

Japan's largest and richest religious organisation, the Buddhist sect Soka Gakkai, is a significant, yet poorly understood, behind-the-scenes force in the political upheavals likely to lead to the formation of a new Japanese government this week.

Founded 64 years ago as a pacifist protest against state Shinto ritual, Soka Gakkai is now part of the political establishment as the power behind Komeito, the clean government party. Komeito's partnership with the conservative Japan Renewal Party dominates policy in the fragmented seven-party coalition. Mr Tsutomu Hata, leader of the Japan Renewal Party, is a potential successor to former prime minister Morihiro Hosokawa - though the outcome is unclear.

Formally, Soka Gakkai and Komeito are separate organisations, but their links run deep: all but six of Komeito's 76 members of parliament belong to Soka Gakkai and use its 1,000 community centres to address the faithful during election campaigns.

Komeito's opponents in the opposition Liberal Democratic party suspect that Mr Daisaku Ikeda, Soka Gakkai's 69-year-old leader and founder of Komeito 30 years ago, still runs his old party from behind the scenes. Mr Ikeda, author of more than 60 spiritual tomes, is portrayed by critics as a billionaire megalomaniac. He was forced to demerge Komeito and Soka Gakkai in 1970. Komeito was then the political department of Soka Gakkai and Mr Ikeda was alleged to run both as personal fief.

But Soka Gakkai's wealth still makes it an attractive political friend. Political parties badly need new non-corporate backers because of a law curbing the size of political donations from any one source.

Soka Gakkai's most avid suitor is the wily Mr Ichiro Ozawa, deputy head of the JRP. His opponents accuse him of using his alliance with Mr Yutichi Ichikawa, Komeito secretary-general - dubbed the "Ichikawa line" in Japan's press - to dominate the coalition.

Soka Gakkai's attractions are obvious. The sect and its affiliates own a daily newspaper with a circulation of 5.5m

# The alluring call of the Buddha

Religious loyalties exercise increasing influence in Japanese politics, says William Dawkins



and a gravestone business, and it has established its own university. The newspaper, Sekkyo Shinbun, the sect's biggest cash source, reported a ¥9.4bn (\$62m) profit in 1991. The group is, however, shy about divulging its precise income.

Soka Gakkai's influence also derives from its following among the spiritually inclined in Japan's armies of salarymen. Its membership - about 8m households in Japan and 1.3m abroad - makes it the most successful of the half-dozen new religions to have grown over the past few decades by offering a community and spiritual dimension to city dwellers who feel their lives lack depth.

Mr Ikeda's officials are baffled at their movement's controversial public image. They insist its influence is benignly ethical and deny it finances any political party. Yet they accept its increased influence imposes new responsibilities: they have to offer a clearer vision for Japan than a bland diet of universal harmony.

Here, the main influence is Mr Einosuke Akiya, Soka Gakkai's president and a close friend of Mr Ikeda. "Religion is the underlying current in human life... so there is going to be some kind of involvement in politics, based on religious ideas," he says.

## 'Soka Gakkai members are awakening to their political responsibilities'

There is nothing new in this, he adds. Three years ago, Komeito helped the former LDP government win parliamentary agreement to send peacekeepers to help the United Nations in Cambodia.

Mr Akiya wants Japan to play a greater role under a UN-based international system on which he is deliberately vague. But he has clearer views on development aid. "Japan must do more than merely provide

international aid to satisfy its obligations to the world community," he says. It must discuss aid projects with recipients, and send more aid workers into the field.

The sect does not, however, plan to impose a parliamentary whip on Komeito members, he says. It does not have to. At least one Diet member has found offending Mr Ikeda left him no option but to resign.

Komeito politicians see no constitutional problem in bringing Buddhism to politics - if the party and sect stay institutionally separate. "Yes, Soka Gakkai supports us electorally, but Komeito handles its own political business," says Mr Akihiro Ohta, Komeito's vice-secretary general.

Dr Masami Kita, economics professor at Soka University, likens the relationship with Komeito to the Presbyterian Church of Scotland's support for the Labour Party in the 19th century. "Soka Gakkai members are awakening to their political responsibilities and exercising their political

rights," he says. The benefits to Komeito of the relationship are clear. It regularly pulls in 7m votes at general elections and is rarely defeated in any seat on which it can afford to concentrate resources. Its election candidates address the faithful at

## The sect went to the trouble of providing a laundry service for the faithful

the end of monthly Soka Gakkai worship sessions. Their speeches usually follow a simulcast talk over a central television screen in each of the sect's community centres by Mr Ikeda, offering moral guidance from the lives of a wide range of figures from Beethoven to Napoleon.

Part of Soka Gakkai's appeal, say members, is to bring spiritual freedom to people who feel oppressed, as did its two found-

ers, who were jailed as "thought criminals" for challenging the monopoly of state Shinto of the 1930s.

The movement expanded fast after the second world war, under Mr Ikeda's leadership. Another surge came in the 1980s from the first generations of salarymen, often sent to Tokyo to live in company dormitories away from their families. Soka Gakkai even went to the trouble of providing a laundry service for the faithful.

But Soka Gakkai's membership has stagnated in recent years. New religious converts have flocked to younger fringe groups, such as the ultra-nationalist Institute for Research into Human Happiness, or to Agon-shu, which uses its own satellite television station to blast healing psychic power at the faithful.

Even before the recent spiritual revival, the Japanese showed a unique capacity to follow several faiths at once, suggesting a dilettante approach to religion which could rebound on Soka Gakkai. At last count, the government's cultural affairs agency knew of 231,000 Japanese religious sects with 215m members - more than 14 times the nation's population of 124m.

Soka Gakkai's inability to benefit more from this religious revival may result partly from the damage to its image when a safe belonging to a former director of its newspaper, containing ¥178m, was found discarded on a Yokohama rubbish dump in 1989.

The coalition government even felt it necessary three months ago to make a small increase in the low tax rate on religious groups' business profits, in response to public criticism of the tax privileges allowed to Soka Gakkai and other rich movements.

The sect's image may equally have been harmed by its mass excommunication three years ago from the 700-year-old Nichiren Shoshu Buddhist sect on which its teachings are based. Mr Ikeda's followers had accused the Nichiren monks of "playing golf and living madly spendthrift lives".

Mr Akiya is undismayed and likens the split to Christian protestants' breakaway from the Catholic church. "We have been liberated," he says. Despite its ambivalent public profile, Soka Gakkai will be part of Japanese public life for some time. It is so powerful that the wobbly coalitions likely to run Japan for the foreseeable future cannot afford to offend it.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Poor excuse for not balloting members

From Ms Barbara Roche MP.  
Sir, Your editorial "Paying for parties" (April 14) supports the recommendations in Labour's minority report on the funding of political parties that shareholders should be balloted on company donations.

When your reporter pressed Sir Ivan Lawrence at the launch of both Conservative majority and Labour minority reports as to why this measure was not included in the majority report, he pooh-poohed the idea, suggesting it was not necessary and would be far too complicated for companies to administer.

This is a poor excuse. Our minority report calls for exactly the same regulations which apply to political donations from trade unions to be applied to companies. In other words, that companies wishing to make political donations should establish a political fund approved by shareholders every 10 years, and that provision should be made for shareholders who do not wish to contribute to opt out.

Unless such a recommendation was implemented in law the position is clearly not going to change. A recent survey by Pensions and Investment Research Consultants found boards defending their decisions not to consult shareholders by claiming donations are "falling within the remit the management, not the shareholders" (Smith Kilne Beecham) and "a matter for the board" (Glaxo). Where shareholders are often not a model of democracy: Allied Lyons told the survey that the "mood" of the annual meeting was in favour of a donation, "judging from the applause which met the chairman's comments".

This is an issue around which democrats in all parties should unite. It is a pity that Conservative members of the home affairs select committee have shown so little regard for democracy and openness. Barbara Roche, House of Commons, London SW1A 0AA

## Chance to blaze regulatory trail

From Sir Iain Vallance.

Sir, Your leader "Sizing up the watchdogs" (April 15) argues the case for moderation in changing regulatory regimes of the energy, water and telecommunications industries. For the most part, I would agree with you and with Sir Bryan Carsberg, director-general of fair trading, that an evolutionary approach is preferable to some more extreme ideas now being suggested.

I also agree that an all powerful regulatory giant, sitting astride the whole process, would be highly undesirable. If anything, we should be aiming to dilute the current concentration of power in regulatory hands rather than adding to it.

In particular, it would be wrong to lump in telecommunications with the utilities. Telecommunications regulation is a transitional process, while competitors establish

themselves in what is now a fully open market. We already have a decade of experience behind us. The utilities are relatively recent arrivals on the scene and their regulation can be expected to be a permanent feature, as there will always be a strong element of monopoly in their markets.

Ofel provided the original experiment in UK regulation and there is an opportunity to use it again to blaze the trail for the next stage of regulatory evolution. There are a number of reasons why a judicious review of the Ofel framework would be timely.

First, 10 years without any review is a long time. Second, it is becoming increasingly clear that separate regulation of telecommunications and broadcasting makes little sense when the two industries are evidently converging. Third, a framework designed essen-

tially to cater for a duopoly in telecommunications sits uncomfortably in a market with a multiplicity of participants.

A review of Ofel for these reasons would offer the government the opportunity, at the same time, to try out some of the more sensible proposals for reform that are now being advocated - such as more explicit regulatory objectives, greater transparency, less concentration of power in one individual, and possibly even a "short cut" review procedure at the Monopolies and Mergers Commission. But, as Sir Bryan wisely counsels, such a review should reinforce and not undermine the current separation of powers between regulator and department of state.

Iain Vallance, chairman, BT Centre, 81 Newgate Street, London EC1A 7AJ

## Electorate does want new direction

From Mr Austin Mitchell MP.

Sir, No political career is ever damaged by praising the party leader and who would want to stand in the way of Giles Radice's path to power. Yet I would question his assumption (Letters, April 14) that the opposition should not say what it is about.

We've gone too far in trying to over-compensate for our folly in offering long and insane shopping lists in the early 1980s. Now we offer nothing much at all. Except commissions. "What do we want?"

"Wait and see" is hardly an exciting slogan.

Those who want to hand power over to a European central bank don't need an economic alternative. The electorate does and the nation is fed up with stumbling decline. Everything getting worse, the feeling that this government cannot even find a course to be blown off. It wants to be part of a nation which is going somewhere and which can deliver what the people expect of the system: jobs, economic growth, rising well-being, the

maximisation of living standards. All is possible and the public have moved ahead of us in their willingness to accept the necessary measures.

After 16 years of marching the wrong way down a dead-end street they want leadership in a new direction. Unless we capture that tide as did Mrs Thatcher in 1979, and Labour in 1963, we become wise, statesmanlike, friendly, communitarian and irrelevant. Austin Mitchell, House of Commons, London SW1A 0AA

## No call for state funding

From Mr Chris Mullin MP.

Sir, Your leading article, "Paying for parties" (April 14), on the report of the home affairs select committee on the funding of political parties, claims that the Labour minority called for state funding. It then goes on to criticise us for doing so.

In fact our minority report makes no reference to state funding except to say that we do not intend to discuss it. Chris Mullin, House of Commons, London, SW1A 0AA

## Who wants another channel?

From Mr Geoff Westcott.

Sir, I have read with interest the recent letters concerning Channel 5 (April 13 and 14). Each of the writers has laudably stated their vested interest and then proceeded to defend their position. It has been stated that viewers will not wish to buy a new TV set to gain a new channel (or channels). This is quite true in many cases, but it seems to be overlooking the fundamental attitudes and requirements of the viewers - do we actually want another channel?

Production standards in television seem to be lagging behind viewers' expanding

requirements; we now have Eastenders and Coronation Street three times a week but that is "safe" television and is hardly intellectually stimulating. Even the so-called "hard-hitting" documentaries have resorted to sensationalism and mediocrity. If Channel 5 is going to provide more of the same, irrespective of whether it is digital or analogue, is it worth having? Mr Miles (April 14) argues that advertisers need another channel; but do we the consumers need one? Geoff Westcott, Ruxto, Main Road, Yapton, Arundel, W Sussex BN15 0PT

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July 20 1994



# FINANCIAL TIMES

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Monday April 18 1994

## Disaster at Gorazde

Saturday was a black day in the history of both Nato and the United Nations - the two institutions on which it had seemed possible to build some semblance of world order after the cold war. The debacle at Gorazde is a disaster for Bosnia - one more, after so many. It is a catastrophe for the UN protection force in the former Yugoslavia.

Many reputations will be tarnished. Those special envoys who last week were uttering optimistic statements about ceasefires and compromise solutions are left looking irredeemably foolish. A sudden casualty - given the hopes that had been raised by his efforts until last week - is the reputation of UNPROFOR's commander in Bosnia, General Sir Michael Rose.

For two months General Rose's energy and ingenuity, backed by an apparently firmer sense of purpose among his political masters, had made it seem as if UNPROFOR was actually capable of carrying out its mandate, and even as if that mandate was clear and coherent. But in truth the mandate remained contradictory.

It was often asserted, not least by General Rose himself, that UNPROFOR was a neutral peacekeeping and humanitarian operation, authorised to use force only in its own defence. Given the size and nature of the units composing it, that was perhaps the only realistic way for its commanders to interpret their mandate. But that interpretation ignored many paragraphs in the relevant UN Security Council resolutions, which authorised the use of force not only to ensure that humanitarian aid reached the people who needed it, but also to defend the so-called "safe areas".

It also ignored the political context in which those resolutions were passed, which was one of worldwide outrage at the violent dismembering of a state.

The world at large has not wavered in its judgment that the principal aggressors are the Bosnian Serbs, aided and abetted by Serbia. The Security Council has

imposed very tough sanctions on Serbia, and the "safe areas" it proclaimed were all places still held by the Bosnian government, but threatened by the Serb advance. It is hardly surprising, therefore, that the Serb forces regarded UNPROFOR with intense suspicion, especially whenever its commanders showed signs of taking their mandate seriously and being prepared to use force to carry it out.

Perhaps if General Rose had been given the extra troops he asked for, he might have succeeded. As it was, the Serbs called his bluff, and he underestimated the gravity of the challenge until it was too late. Then Nato provided "close air support" at his request, but this was not enough even to protect UN personnel, let alone to protect the "safe areas" of Gorazde and its population. Only a much more intensive air bombardment of Serb forces could have affected the military outcome, and for this there was no stomach either in national capitals or at UNPROFOR HQ.

Logically there are now only two options left. One is for UNPROFOR to be called out and the Bosnians left to fight their own war, with weapons and perhaps also air cover from sympathetic outsiders. The other is for UNPROFOR to be massively reinforced and equipped to fight.

Neither option is likely to be adopted. The Serbs are in a position to make UNPROFOR's withdrawal very difficult, and few western governments will be prepared to take responsibility for the likely immediate consequences for Bosnian civilians, who for better or worse have come to depend on the UN humanitarian relief effort. But governments will be even less willing to contemplate an all-out war with the Bosnian Serbs. The sad probability is that UNPROFOR will stay, becoming ever more constrained in its relief role and in effect serving to verify the results of Serb aggression. The reality of the new world order is proving very different from the prospectus offered in 1990-91.

## Latin America

It is a long time since a senior US official has advised Latin American governments to do what they can to strengthen trade unions. And it is a far cry from the Reagan and Bush years when that same official argues that markets alone, without governments, cannot bring prosperity.

Yet this was the message of a powerful speech by Mr Lawrence Summers, the US Treasury under-secretary, to the Inter-American Development Bank last week. His words, if put into action, would have profound implications for Latin America and other developing regions. They also contain some risks.

Regional development banks such as the IADB were, he said, "as important to the new world order as the regional security organisations were to the old one", as the challenge of defeating communism had been replaced by that of sharing prosperity.

The development banks certainly have much to recommend them in helping to address social problems, that threaten regional prosperity. On its own, however, throwing money at social problems will not work. Nor is there any one blueprint for success in confronting them. And if it goes too far in emphasising government action on social issues, there is a danger that the US administration could help to reinforce rather than to remove obstacles to reform in Latin America.

As Mr Summers himself implied, Latin American governments can now begin to address social challenges only because of

their improved macroeconomic management and market-oriented reform programmes. The first priority for governments attempting to address unequal income distribution is to tackle inflation which daily widens the gap between rich and poor. As Brazil shows, governments cannot even think about social programme until suffering four-digit annual inflation.

The risk is that the emphasis on social issues will raise conflicts which play into the hands of those wishing to block further necessary reforms. Most Latin American countries already have strong labour laws (though they are unevenly applied) which inhibit competitiveness and benefit those with jobs at the expense of the unemployed. Public-sector trade unions continue to impede reform of bureaucracies, health and education systems.

More ominously, the new American emphasis on social issues has provoked its stance on labour and environmental standards in trade negotiations. Developing countries may ask what lies behind these arguments. Is the US really worried about conditions of workers in Peru or is it looking to hobble competition from poorer countries?

Some of these concerns can be alleviated by the multilateral approach described by Mr Summers. But Washington must take care not to impose its ideas on Latin America. Otherwise, its new drive for social justice in Latin America will be seen as a covert means of pursuing the perceived commercial interests of the US.

## Beauty's riches

It is a truth universally acknowledged - and almost as widely resented - that beauty rarely goes unrewarded. But it has taken the ingenuity of academic economists to put a price on what the world's oldest profession always knew. In a paper for the US National Bureau of Economic Research, Messrs Daniel Hamermesh and Jeff Biddle have found that plain people earn 5 to 10 per cent less than people of average looks, while average-looking people earn 5 per cent less than those who are good looking.

This seems hard on the ugly. Yet those who believe that market forces reflect people's marginal value to society will no doubt say: tough but just. The followers of Friedrich Hayek will, on the other hand, pay a backhanded compliment to the physiologically disadvantaged by declaring that there is no moral merit or demerit attaching to rewards in the labour market. Yet both these camps, which tend to belong on the intellectual right, should be on their

guard for a leftist backlash. As long as nobody attempted to quantify the adverse impact of the haphazard distribution of natural endowments, it was possible for us to live with nature's decision to confer fantastic brainpower on Einstein, exceptional tonsils on Pavarotti and a super superstructure on Marilyn Monroe. But with researchers producing extensive physical and economic data from household surveys, we may shortly confront a powerful new interest group seeking redress for physiological shortcomings. Mainstream opinion will demand compensation through the tax and benefits system. The left will want subsidies for cosmetic surgery. A suitable euphemism for ugly - homely? - will be sought.

There is, of course, a better way. Average-looking people cannot be expected to pay taxes for those of ill mien. A hypothecated tax ill would therefore be levied on the beautiful in favour of the ugly. The important thing is that beauty must not pay.

It is mid-morning in Manhattan and a pudgy 13-year-old boy is playing video games in an amusement arcade just off Times Square, that crossroads of bright lights, sexual sleaze and tourist tat.

A team from New York City's new anti-truancy police squad accosts the child, orders him into a van, and detains him for 90 minutes on suspicion of skipping school.

A crackdown on classroom absenteeism may not be one of the weightiest reforms introduced to New York in the past three months by its mayor, Mr Rudolph Giuliani, yet it is symbolically significant: the city's first Republican mayor in 20 years is taking the unruly metropolis by its collar and trying to shake it into greater self-discipline, both fiscal and social.

Mr Giuliani, who has just celebrated his first 100 days in office, has been a whirl of policy initiatives - in sharp contrast to the reactive style of his Democratic predecessor, Mr David Dinkins, New York's first black mayor, whom Mr Giuliani narrowly defeated in last November's election.

The mayor's reform programme, designed to avert a looming budget crisis and reverse deterioration in the city's "quality of life", has four main elements.

The first is a crackdown on crime under a tough new police chief, Mr William Bratton. For example, police officers on the beat can now arrest drug dealers, rather than leaving this to special narcotics squads. The anti-truancy patrols are designed in part to pinpoint juvenile criminals, whose numbers are growing disturbingly.

Second, the mayor wants to reform the school system, which suffers from declining standards, crumbling buildings and rising student violence. While vital, this is a complex task on which he has yet to formulate clear policies. His initial goal - to cut education bureaucracy so more money can flow to schools - is only a partial palliative.

Third, he wants to create a more favourable business climate, and has made a modest first step by proposing small cuts in the corporate tax burden. Finally, he is trying to end that longest running of New York shows - the city's recurrent budget crisis - with a reform of its finances, privatisation of services and an efficiency drive.

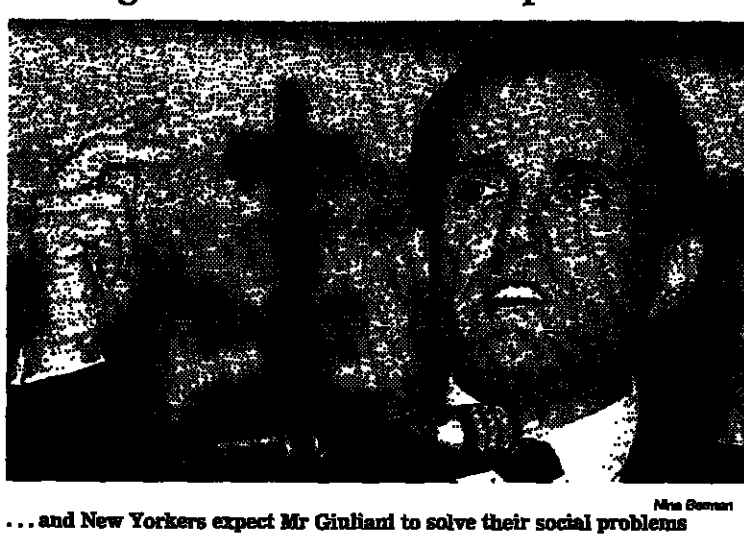
His immediate task is to bridge a potential \$2.3bn budget gap in the year beginning July 1. His remedies include cutting the municipal workforce by 15,000 and wringing productivity concessions out of the unions; consolidating various government departments; and selling off at least four municipal hospitals, 85 petrol stations and a television and radio station. He is also trying to get New York state to assume a fairer proportion of Medicaid, which provides healthcare for the indigent and is one of the largest and fastest growing budget items.

# Spicy recipe for the Big Apple

Martin Dickson assesses the impact of Mayor Giuliani on New York's long-running financial and social problems



There are many poor in the city...



...and New Yorkers expect Mr Giuliani to solve their social problems

The business community sees the budget package as a good start, though some critics argue the mayor has been insufficiently radical, particularly in shielding from cuts the heavily staffed fire and police services, which backed him strongly in November's election.

Mr Dean Mead, of the Citizens Budget Commission, an independent watchdog agency, says the package "holds promise. I don't see anything in it that is going to change dramatically the economic climate of the city, but it is the beginning of that process".

But along the way, the mayor has stirred up controversy. Many New Yorkers say he has yet to demonstrate the skills of diplomacy and political compromise needed to run the world's most polyglot city smoothly over the long haul.

For Mr Giuliani, a 49-year-old former US attorney who made his name in the 1980s with the zealous prosecution of New York drug dealers, mafios and Wall Street insider traders, has brought to City Hall the bullying, intransigent style of the courtroom interrogator, pouring personal scorn on politicians and

civil servants who cross him.

The strength of this approach was shown at the start of this month, when he pressurised the normally bellicose municipal unions into accepting voluntary redundancies. Its weakness was underlined a week ago, when his interference and insults prompted the highly respected head of the schools system briefly to resign.

The new mayor is walking a fine line. As the first Republican mayor of Democratic-dominated New York since the aristocratic Mr John Lindsay in the 1950s, he has few political debts to pay, and therefore has the best chance in a generation of reforming the city's government.

## 'New York's immigrant-driven culture has given it a ragged energy reminiscent of the turn of the century'

But he also needs to talk softly, if he is to win the co-operation of the Democrat-controlled city legislature and municipal agencies.

The first real test of the administration's effectiveness will come this spring as Mr Giuliani tries to build a consensus in the legislature for his budget cuts. His predominantly white administration also needs to build bridges to the city's minority communities, particularly the black 25 per cent of the popula-

tion which supported Mr Dinkins.

"I think he's off to a good start," says Mr Felix Rohatyn, the veteran banker who helped save the city from a more serious financial crisis in the mid-1970s. "But it's very important that as soon as possible he be seen as mayor of all the people of the city... There are still a lot of racial tensions in New York."

How Mr Giuliani manages this balancing act could have a profound impact on the future of New York, for he has come to office at a delicate point in the city's history: its mounting social and financial problems could mean a slow but inescapable economic decline, while solutions to them could prompt revival.

New York is not alone in its problems. Many large cities face budget crises, high crime, an alienated black underclass and a flight of business and the middle class to the suburbs. Nor is it alone in electing a reformist, market-oriented mayor. Over the past year cities as varied as Los Angeles and Jersey City voted in Republicans in place of their traditional Democrats.

However, New York does have unique features which set it apart from all other US cities, both exacerbating its problems and offering long-term strengths.

On the positive side, the compact nature of Manhattan, its reliable subway system and its cultural attractions means that it has not suffered too badly from "white flight" to the suburbs. At the other end of the income spectrum, New York retains its allure for new immigrants, who have revitalised

some of the city's most decayed sections. "New York's immigrant-driven culture has given it a ragged energy reminiscent of American cities at the turn of the century," says Professor Peter Salins, editor of the *Right-of-Centre City Journal*.

However, the city also has a larger than average quotient of those in need - be they newly landed immigrants, victims of AIDS and crack cocaine, the indigent or the deranged. New Yorkers, moreover, have long expected their government to do more than other cities to solve their social problems. The city runs the largest subsidised housing programme in the US, as well as 15 municipal hospitals and an elaborate system of shelters for the homeless.

Its bureaucracy is also unusually bloated, thanks to the strength of the municipal union movement and its close ties to the Democratic party machine. Over the past six years, employment by the municipality has risen by 15,000, while a prolonged recession - the result of the 1987 stock market crash and the 1990-91 national downturn - has cut the total number in work in the city by 245,000, or 9.5 per cent.

All these factors mean that the city's spending is growing much more sharply than its revenues, which were seriously dented by the recession of 1989-90.

Mr Giuliani will be helped by a recovery in the regional economy which began last year, though this looks like being painfully slow, and employment may not recover to pre-recession levels till around the turn of the century.

Still, provided New York tackles its "quality of life" problems, many observers think the city could grow healthily over the coming decades, drawing on what are still immense comparative advantages.

It seems in no danger of losing its position as the world's pre-eminent financial hub. That said, it cannot rely on Wall Street for jobs growth. The securities industry has boomed over the past three years, but this has created relatively few new jobs in Manhattan, partly because information technology has increased productivity and partly because companies have moved much of their routine "back office" paperwork to cheaper cities as far away as Florida.

Yet New York remains the single greatest source of creative and intellectual capital in the US and is a leading centre for two of the sectors which seem likely to enjoy particularly strong growth over the next few decades: entertainment, information and international trade.

Mr Mitchell Moss, head of the Urban Research Center at New York University, says the city's competitive, cosmopolitan nature means that "it is still a phenomenal magnet for the talented". Mr Giuliani just has to keep it that way.

## Construction output in the UK is rising and companies are returning to profit after record losses

So why do British contractors sound so universally gloomy? Is it that, like the apocryphal farmer, they will never admit to better times, or is the structure of the industry made to meet the challenges of recovery?

Building material companies forecast a 3 per cent rise in construction this year, the first annual increase since 1990. A further rise of 2.5 per cent is predicted for 1995 and again for 1996.

A survey by the Chartered Institute of Building claims that the industry hired twice as many permanent staff during the first few months of this year as at the start of 1993. Pay levels have started to rise in some companies as they seek to hold on to remaining staff to cope with the increased work.

Monroe Technical Recruitment, one of the largest UK construction recruitment consultants, says: "Registered job vacancies with construction employers have risen by 44 per cent in the first quarter compared with the first three months of last year, while the number of people placed with construction companies is almost double that of the corresponding period last year."

Yet in recent weeks, as chief executives have announced profit figures for last year, their accompanying comments have been almost universally pessimistic. The reason is less the size of their UK order books than the low prices at which they are winning contracts. These leave little or no margin for profit.

Mr Martin Laing, chairman of John Laing, blames low margins on contractors with high borrowings which need a regular flow of cash payments to meet interest charges. "Contractors have been bidding for contracts 'at the expense of profit'," he also criticises banks and institutional shareholders which, he says, support "enfeebled contractors" and add to damaging over-capacity in the construction industry.

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# Contracting margins

## Andrew Taylor on the gloom among UK builders

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His company, which announced a

57 per cent rise in 1993 pre-tax profits to £12.3m, estimates that over-capacity in the industry is running at about 30 per cent. By contrast, building material companies have been much more successful in cutting capacity.

Over-capacity has led to a fall in prices at which contractors win jobs, by 22 per cent since 1988, but list prices for building materials and labour have risen by 21 per cent according to E.C. Harris, the construction cost consultancy.

Some of the difference between tender prices and costs will have been made up by claims for additional payments to meet "unforeseen" design changes which traditionally arise after contracts have been signed. E.C. Harris also says there is evidence of a pick-up in construction tender prices of about 2.5 per cent since last summer.

Even so, margins are likely to remain paper thin, with increases

in the prices charged by building material producers and sub-contractors likely to offset any rise in tender prices. Even if tender prices were to rise sharply they might not affect published earnings figures for another two years or more because of the time lag before profits from projects are included in accounts, says Sir Brian Hill, president of the Building Employers Confederation.

Lead contractors are also being squeezed on another front. Part of their profit comes from advance payments from customers. These are held on account, earning interest, until they are passed on to sub-contractors. Falling interest rates could reduce this income. As in many industries, sub-contractors complain about the length of time it takes for main contractors to make payments - another sign of cash problems.

Laing's forthright comments about banks' support for weaker

companies have angered some rivals. Concerns about over-capacity, however, are shared by senior executives in other companies. Sir Alan Cockshaw, chairman of Amec, the international construction company which last year made pre-tax profits of just £21m on a turnover of £2.18bn, says the industry is in need of rationalisation.

Some are better placed than others: householders, for instance, which are leading the sector out of recession. Sales are rising and margins have begun to improve as prices increase and builders use up expensive land bought in the late 1980s.

There is nevertheless concern that land prices, which have risen by up to 50 per cent in the south-east during the past 12 months, could slow the pace of future earnings recovery. Public spending cuts, particularly on roads, could also restrict growth in the industry.

Given these concerns, there can be little surprise that building shares, which have outperformed the FT-SE-A All-Share Index by more than a fifth in the past 12 months, have looked more vulnerable in recent weeks.

## Gurria's career

All those Wall Street houses assiduously courting José Angel Gurria, Mexico's chief debt negotiator through the 1980s, will have to call it a day - for now.

The flamboyant former finance ministry official, who has graced many a headhunter's list since he wrapped up the debt negotiations in 1990, has signalled that his considerable ambitions are currently focused on the domestic political scene. Over the weekend, he bowed out as head of the state development bank and joined the ruling Institutional Revolutionary Party as secretary for international affairs.

Battling along after the assassination of its presidential candidate Luis Donaldo Colosio, the PRI faces a plummeting stock market and rising interest rates. So there's no doubt it needs an effective spokesman to calm foreign concerns about Mexico's future.

Fluent in at least four languages, the invariably good-humoured Gurria has charmed scores of financiers over the years. But even he, with his remarkable ability to sell a story in the worst circumstances, may be hard pushed to promote the PRI effectively.

If he succeeds, and the party wins the August election, the prize should be a top job in the next administration. If not, the strains

of Wall Street will surely beckon once again.

## Swingers

Meanwhile, senior New York economists already involved in the trendy discipline of emerging markets seem to be about as unpredictable in their movements as the economies they follow, to judge by the welter of recent job changes in the sector.

Larry Brainard, who advised commercial banks during their negotiations with Latin American debtors of the 1980s, is quitting Goldman Sachs for pastures new at Chase Manhattan, where he is to be the bank's first chief emerging markets economist.

One of the most senior Latin American specialists in New York, Jim Nash of J.P. Morgan, is heading for Nomura, to take over its emerging markets effort. Arturo Porzecanski recently left Kidder Peabody to run emerging markets research at ING Bank in New York. And Frank Fernandez has quit Merrill Lynch's research group.

As in the markets themselves, do you lose on the roundabouts what you gain on the swings?

## OBSERVER



'You'd never know he's run a London marathon in a gorilla suit!'

just like the rest of the accountancy profession, has been caught covering a trifle foolishly behind the letter of the law. The 1993 accounts fail to provide a cash flow statement because, as a note explains, the LSCA is defined as a small company, which is exempt from the requirement to comply.

## Michael who?

The decision to prevent political journalists from enjoying a libation on the Terrace of the House of Commons has thrown an unaccustomed spotlight on Michael Martin. As chairman of the

Commons catering committee, Martin is behind the decree that will allow MPs to wine and dine by the Thames this summer free from the prying eyes of the press.

Perhaps fearing an increase in their bar bills, senior Labour figures were hastily blaming the ill-conceived ban on the Tories. It had obviously eluded them that Martin has represented the Labour constituency of Springburn in Glasgow for the last 15 years. But then the 49-year-old MP's only other claim to fame is that he was once an aide to Denis Healey.

## Hopping mad

Is France limbering up for candidacy as a semi-detached member of the European Union? One might be forgiven for thinking so after the French delegation's antics at last week's signing of the Gatt agreement, which made the normally boldy Brits look like positively mild European citizens.

French industry minister Gérard Longuet's first task in Marrakesh was to break ranks with his fellow Europeans by presuming to speak for all 12 countries during private talks with Mickey Kantor, President Clinton's special trade representative. Next, he insisted that EU governments append their names separately, instead of signing and sealing the great document "en bloc" as previously agreed.

The final straw was when Longuet provoked an emergency

EU council meeting, and promptly headed back to Paris. When he finally reappeared, 11 hungry ministers, who had spent an evening without sustenance, marched out *en masse*.

Hence, by the weekend, the only delegate in Marrakesh with a good word for the French was Sir Leon Brittan, Europe's trade commissioner. No doubt that is down to Brittan's good-humoured patience, and is quite unrelated to his bid for the Commission presidency, for which French support is crucial.

## In for a penny

Defending the Irish punt following sterling's exit from the ERM cost the Irish government an estimated £230m, equivalent to about half its 1993 borrowing requirement. It emerged recently.

So it comes as less than a complete surprise that Maurice Doyle, the Irish central bank president who played a prime role in formulating exchange rate policy during the crisis, will not be running for a second term of office.

Finance minister Bertie Ahern, now mulling over a shortlist of candidates to take on the job from the end of this month, had been especially careful to praise Doyle's "great professionalism". But last Friday, introducing a new five pound note, an implicit Ahern rounded off his speech by thanking Doyle for his "sterling service to the bank and to the nation".



## A township waiting to explode

Patti Waldmeir joins South African peacekeepers on patrol in Umlazi

Major Julius Lloyd stands in the machine gun turret of an armoured personnel carrier as we tour the dismal shacks and "matchbox" houses which cling precariously to the steep green hillsides of Umlazi township outside Durban.

Imperceptibly, we cross the front line of the Umlazi war zone, from an African National Congress neighbourhood where men sit outside drinking and women hang laundry, to an identical Inkatha Freedom party area, where life goes on in much the same way.

All that changes is the facial expressions in ANC areas, where Maj Lloyd and his 41st Parachute Brigade troops are welcomed as peacekeepers, there is a smile on almost every pair of lips; in Inkatha areas, where the troops are seen as an occupying army of the ANC, an averted glance, pointed indifference, sometimes open hostility.

Maj Lloyd reflects on the futility of using South African Defence Force troops to try to solve what is overwhelmingly a political problem in Natal.

The "Casspir" armed personnel

carriers patrol Umlazi day and night under the state of emergency imposed in South Africa's Natal province in the run-up to the country's first all-racial elections next week.

"We come into a place, always with a big force, and all we do is suppress the violence. But the violence is just waiting for us to leave again. It's all just waiting to pop up again," says the man who commands the "parabats" (short for parachute battalion), a veteran of similar operations in the warring East Rand townships near Johannesburg.

His troops have succeeded in restoring short-term stability in the two weeks since their deployment under the state of emergency. Public transport has returned after a violence-induced stoppage, and "the children play in the streets again". Indeed, they are out in force as we patrol the township in the brown SADF Casspir, begging for sweets from the soldiers' "rat (ration) packs".

The troops have seized a number of illegal arms at roadblocks and with the aid of tip-offs. But the scale of the problem is vast: Maj Lloyd reckons everybody in

Umlazi has at least one firearm; and although nobody really knows how many live in its densely packed 60 square kilometres, most estimates top 200,000.

Maj Lloyd believes both sides simply buried their arms caches when the SADF arrived, and will unearth them once it, inevitably, leaves again. He says the perpetrators are careful to ensure that the areas where arms are stashed are kept free of violence, to avoid attracting the attention of the security forces. Any big operation to unearth caches - whether in the townships or the Inkatha-controlled bush - does not seem to be on his immediate agenda.

The SADF is still able to pick up firearms, mostly homemade, at roadblocks: because homemade arms are easier to conceal (until assembled, they simply look like lengths of pipe), people do not bother to bury them. But factory-made arms are largely kept out of circulation.

Maj Lloyd recognises that the SADF's popularity might wane if it started raiding ANC arms caches and putting ANC "self-defence units" out of action.

Instead, the troops are universally popular in ANC areas because they are viewed as fairer than the South African Police's Internal Stability Division (riot police) and the police force of the KwaZulu homeland, of which Umlazi forms part. Both are accused of siding with Inkatha, and even participating in Inkatha raids on ANC areas.

With the troops around to prevent possible bias in the security forces, and to discourage fighting, stability can probably be guaranteed around polling time.

But South Africa's politicians regularly ignore the message that troops are no more than a short-term palliative for the problem of Natal. Without the use of huge numbers of troops - beyond the capacity of the SADF to provide - the Natal conflict simply cannot be crushed. Thick bush, irregular terrain, densely packed housing, all make it difficult to pursue suspects whom the community wishes to hide.

Only politicians, not armoured cars, can penetrate this morass; if they do not do so, Umlazi's fragile stability will prove short-lived.

## Watanabe challenge fades as coalition parties bury differences Hata favourite for Japanese premier

By William Dawkins in Tokyo

Leaders of Japan's fractious coalition have reached a draft policy accord intended to pave the way for the selection of a new prime minister early this week. Six of the seven ruling coalition parties aim to finalise the agreement today on foreign and economic policies, and field Mr Tsutomu Hata, the foreign minister, as the alliance candidate for prime minister in a parliamentary vote.

A rival bid for the leadership by Mr Michio Watanabe, a former foreign minister who has announced his defection from the opposition Liberal Democratic party, is unlikely to succeed. Mr

Watanabe, however, hinted yesterday that he would support the new government.

"There is a definite agreement taking shape and it is natural to ask Mr Hata," said Mr Yuichi Ichikawa, secretary-general of Komeito, the Buddhist-backed Clean Government party, one of the most powerful groups in the alliance.

Mr Hata appears assured of a majority because he has the support of all parties in the previous government. That includes the New Harbinger party, which threatened Mr Hata's chances last week by saying that it did not want to participate in the new cabinet.

Agreement on a new govern-

ment would bring an end to 10 days of bitter wrangling provoked by the resignation of prime minister Morihiro Hosokawa over allegations of financial impropriety. The row has accelerated the realignment of Japanese politics, prompting another round of defections from the LDP and deepening a split between the coalition's right and left wings.

The 10-point outline accord would commit the new government promptly to enacting the current year's budget, pushing on with economic deregulation, increasing indirect taxation and holding the next general election under the new electoral system, implying that the next poll is to be at least six months away.

On foreign affairs, Japan should follow United Nations policy on North Korea, and take necessary "precautions" the draft says, a reference to possible UN sanctions over that country's refusal to allow full inspections of its nuclear sites.

The outline accord has been criticised in the Japanese press for merely papering over the cracks in the government partners' policies. The Social Democratic party, the alliance's largest and most quarrelsome partner, continues to oppose a rise in indirect taxes and wants a soft line on North Korea.

Political profiles, Page 3  
Call of the Buddha, Page 10

## UBS held suspected drugs money

Continued from Page 1

applied in January for permission to buy her house near Geneva.

As with every foreigner, Swiss authorities insisted on checking her background and bank references. With the help of US drug enforcement officials, they identified her as the wife of Mr Julio Nasser David, sought as a leading drug trafficker in Colombia.

On February 23, Mrs Arana was arrested by Swiss police and the account frozen. On Friday, charges were filed in Miami against the couple for smuggling more than 55,000 lb of cocaine and 3m lb of marijuana into the US from 1976. Mr Nasser David is still at large, and the US is seeking Mrs Arana's extradition.

The UBS vice-president who opened and handled Mrs Arana's

account has been suspended and is being questioned by Zurich police. The Swiss Bankers' Association due diligence committee has launched an inquiry.

The big question among Zurich's banking community is how UBS, renowned as the most cautious and meticulous of banks, could have failed for so long to have spotted trouble in the Arana account.

According to the authorities, she opened it in 1979 with a \$50m cash deposit. UBS claims it carried out its normal identity checks which showed the family had extensive shipping and hotel interests in Colombia, so there was no reason to suspect anything untoward.

"Not every Colombian is a potential money-launderer," says Mr Stephan Haeringer, a UBS director. However, UBS admits

that the account manager must have been very naive.

Swiss laws and regulations on money-laundering were tightened in the late 1980s. Analysts were asking why UBS, which has a 100-strong internal audit team, did not pay special attention to accounts from places such as Colombia and Sicily with known links to drug smuggling.

Apparently, not much effort was required. A Zurich prosecutor says that even the children in the Nasser David's home town of Barranquilla were aware of the alleged drug links. The bank says the account has been virtually inactive for many years, so there was no reason for suspicion.

"The manager's superiors asked questions and got appropriate answers," UBS said. "We are now checking to see if we have to change our procedures."

## China set for 11.5% growth

Continued from Page 1

domestic investment funds in a further attempt to reinforce central controls over an unruly financial sector and channel domestic savings towards the purchase of government bonds.

China's official Business Weekly reported that about 50 funds had been established with about Yn4.5bn (\$517m) under their control. Only four had been approved by the central bank.

China is relying on the sale of some Yn15bn of treasury bonds to fund its 1994 domestic deficit which is expected to reach Yn67bn. It also faces heavy debt service obligations.

The freeze on investment funds will not affect foreign-related investment vehicles.

## THE LEX COLUMN Earning credibility

The not-so-new format for reporting company profits has now had a year to bed in. In general, the system is working well, but the abolition of extraordinary items has had the expected effect of making reported earnings more volatile. Investors still want to get a picture of underlying company performance. Most use the Institute of Investment Management Research standard as a guide. It excludes from earnings those capital items which have no impact on continuing operations, but includes costs which are related to mainstream businesses.

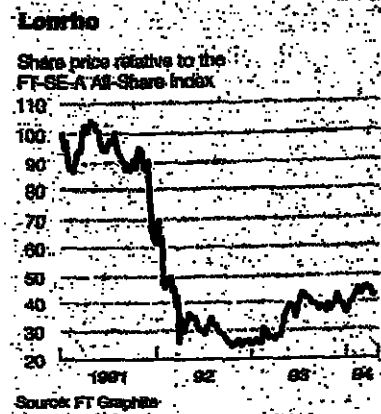
The underlying earnings picture is still less easy to spot, and investors are looking for other ways to track company performance. In part, that is what the reforms were intended to achieve, since investors had come to rely too heavily on a single crude measure. Earnings are a proxy for distributable cash flow, and if the proxy is failing it makes sense to look at cash directly. More estimates of future cash flows are being produced, and there is a good deal of work going into discounted cash flow modelling. There is also some attention being paid to dividends, since although they do not provide much information about companies' growth prospects, they do hint at management's confidence about the future.

Perhaps the most interesting line of attack, however, is in deconstructing analysts' models of company profits to assess where the risks of errors lie. Correctly identifying whether earnings are likely to be higher or lower than consensus forecasts is the kind of deeper analysis that should make institutions money.

### Ashanti/Lonrho

The international offer of shares in Ashanti Goldfields, which closes today, should attract strong institutional support. True, the gold price has been in the doldrums after the excitement of last year. A rising charge may also take the shine off Ashanti's earnings growth for the next year or two. But Ashanti is a low-cost producer which boasts quality reserves and rising production. So long as investors are willing to take a relaxed view of political risk in Ghana, a share price towards the top of the indicated \$17-\$20 range looks likely.

That outcome would be especially pleasing for Lonrho, which will own 43 per cent of the company after flotation. The interest among investors generated by the offer - and the addi-



tional transparency provided by its weighty prospectus - have helped Lonrho's shares outperform the market since the turn of the year. Assuming a share price for Ashanti of \$20, Lonrho's holding would be worth around \$450m - more than its total market capitalisation in the dark days of 1992.

If investors now turn their attention to Western Platinum of South Africa, Lonrho's share price may have further to run. Like Ashanti, Lonrho's other large mining investment is a low-cost producer with the promise of rising production. As with gold, a rising metals price cannot be relied upon. Political risk will also be a worry until the turmoil surrounding the South African elections has passed. Then it will be up to Lonrho to prove that it can make its assets sweat more effectively than in the past.

### Globex

The Chicago Board of Trade's decision not to participate in the restructuring of Globex appears to cast a long shadow over the futures trading system. Perversely, however, the withdrawal of the world's biggest futures exchange may yet turn out to be Globex's salvation. The unhappy relationship between the system's partners has dogged its development. Reuters will at least be relieved that that uncertainty has been resolved.

There is only likely to be a small loss of terminals as a result of CBO's move. Despite its size, CBO's accounted for just 5 per cent of Globex's transactions. But CBO's withdrawal may ease the fears of other exchanges concerning Globex's govern-

nance. Now that a new agreement is being drawn up, other exchanges, such as Life and the DTB, may be tempted to sign up to the system - especially if it is able to offer a brand contract. That may be sufficient to give the network critical mass. The experience of Matif has already shown that Globex is a technical success.

The big uncertainty is whether the concept of a round-the-clock, round-the-world futures trading market is a valid one. Even if it succeeds, Globex will take a long time to catch on. The financial impact on Reuters is only likely to prove marginal either way. Reuters has already written off its investment in developing the network. The healthy progress of Instinet and Dealing 2000 is likely to mask any further disappointment.

### Sweden

Sweden takes a leaf out of the UK's book this week with its first auction of index-linked government bonds. It is tempting to conclude that the fashion is spreading, although previous attempts by Canada and Australia to get index-linked markets going have not met with conspicuous success. Sweden has spent some time preparing its issue, but the suspicion remains that the timing is determined by a combination of the high cost of fixed-rate borrowing and a heavy funding requirement. The budget deficit is more than 11 per cent of GDP; after last year's heavy recourse to overseas markets, the authorities are now focusing more on domestic investors.

Since Swedish inflation is below 2 per cent and the yield on 10-year bonds is more than 8 per cent, the government may consider index-linked borrowing is attractive. The issue is in some ways a statement of defiance. It can be seen as a signal that the markets are wrong to mistrust the authorities' determination to keep inflation down.

The chances are that the SKR20bn of 20-year paper on offer will find a home among domestic buyers, including institutions seeking to match their longer-term liabilities. Lack of liquidity may deter international buyers, even though there is a theoretical trading appeal. Since the Swedish paper will carry no coupon, its value will be particularly geared to changes in real interest rates. And since real yields in Sweden have risen strongly in the recent bond market shake-out, the chances are that they will soon be coming down.

**FT WEATHER GUIDE**

### Europe today

The British Isles will be mainly dry, but a small disturbance will bring rain to Scotland and northern Ireland. Much of the continent will be cool. The north-west will be mainly dry except for Poland and Germany which will have showers. Countries around the western Mediterranean will be unsettled with falling temperatures and showers. Eastern Europe towards Hungary, Romania and the Ukraine will be much cooler with heavy rain. Turkey will have a very warm day with temperatures above 30C in some areas, but there will be a risk of thunder showers in the afternoon.

### Five-day forecast

A deepening low will bring rain to the British Isles and milder temperatures to the north-west continent. Later in the week rain will move across France and Benelux towards Scandinavia. Spain, Italy and southern France will stay unsettled and rather cool at first, but conditions are expected to improve towards the end of the week. Most of the Mediterranean will remain sunny and warm.

Warm front, Cold front, Wind speed in KPH

**TODAY'S TEMPERATURES**

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	35	25	Amsterdam	11	8	London	11	8
Accra	33	23	Berlin	11	8	Madrid	15	10
Algiers	21	18	Bombay	35	25	Melbourne	18	12
Ankara	11	8	Buenos Aires	17	12	Moscow	10	5
Athens	27	17	Calcutta	35	25	Osaka	18	12
Bahia	27	17	Chengdu	11	8	Seoul	18	12
Bangkok	35	25	Dubai	37	27	Singapore	32	22
Barcelona	17	14	Hong Kong	28	22	Taipei	22	16
			Kobe	18	12	Tokyo	18	12
			Manila	28	22	Yokohama	18	12
			Medan	28	22			
			Perth	22	16			
			Rangoon	32	22			
			Sao Paulo	22	16			
			Shanghai	18	12			
			Singapore	32	22			
			Taipei	22	16			
			Tokyo	18	12			
			Yokohama	18	12			

# BEST TIME

# BEST PLACE

# WEST LANC

... WHY? GREEN SHOOTS TAKE... RECOVERY UNDER WAY... TAKE BEST ADVANTAGE... NOW ... MOVE... TO BEST ENVIRONMENT... FOR YOUR ENTERPRISE... TO GROW AND PROSPER... STILL DEVELOPMENT AREA... BENEFITS... MODERN FACTORIES... GREENFIELD SITES... EAGER/ABLE WORKFORCE... WHERE? WEST LANC... STOP

... WHERE? WHERE... 13TH CENTURY MARKET TOWN... 20TH CENTURY NEW TOWN... LIVE/WORK IN HARMONY... 100 SQUARE MILES RICH FARMLAND... AGRICULTURE... ENGINEERING... ELECTRONICS... 70 MILE MAGIC COAST... PERKS MANCHESTER/LIVERPOOL... NEAR LAKES MOORS MOUNTAINS... WHERE? WEST LANC... STOP

... WHAT? READY-TO-WEAR FACTORIES... OR BUILD YOUR OWN... ALL SERVICES... MOTORWAYS AT GATE... GRANTS... FOR SITES... PREMISES... MACHINERY... PLANT... EQUIPMENT... TRAINING... EC AID & SOFT LOANS... FINANCIAL/PROFESSIONAL ADVICE... WHAT? WEST LANC... STOP

... WITH? SUPER COMMUNICATIONS... NATIONAL MOTORWAY NETWORK... INTERNATIONAL AIRPORTS... INTERCITY... LOCAL RAIL/ROAD NETWORK... COMMUTING A PLEASURE... WHERE? WEST LANC... GO

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# WEST LANCASHIRE

The Best of the North West

APR 18 1994



# Weekend FT

SECTION II

Weekend April 2/April 4 1994



## A prima donna's great performance

**F**or the nation that invented opera, the sudden emergence of Silvio Berlusconi as star of Italian politics seems only natural. As in opera, the staging and music have been all important. The banality of a libretto is masked easily by the magic of a prima donna's great performance. So, in Berlusconi's spectacularly successful election campaign, form triumphed over content, the package over the person, and the image over reality.

Italians like and admire the *bellissima* figure and do not always want to know how it is created. Berlusconi's was a superb performance. One in four of the Italian electorate voted for this self-made man whose media empire is the second largest in Europe. Now, he looks set to become Italy's next prime minister after less than three months in politics.

Eugenio Scalfari, editor of *La Repubblica* newspaper and one of Berlusconi's most outspoken critics, described him this week as "the great seducer". And, indeed, Berlusconi's performance on the political stage has been an extraordinary act of seduction, charming a sizeable segment of the Italian public into turning a blind eye to his political qualifications and the more questionable side of his past. Scalfari concluded that the main reason for Berlusconi's success was his ability to convey the impression of "do-it-yourself politics" - that an

individual can take on the system. No one could have imagined six months ago that Berlusconi, a non-politician, would probably be Italy's next leader at the head of a newly-formed political movement, Forza Italia. It was equally improbable to conceive the public embracing a movement with a name culled from a football slogan ("Come on, Italy!").

Berlusconi himself was at a crossroads in the middle of last year. His political friends were vanishing off the scene, discredited by the corruption scandals. His profitable near-monopoly over Italian commercial television looked increasingly vulnerable as politicians across the ideological divide sought to redraw the map of public and private television ownership. Berlusconi's Fininvest empire itself was floundering under a burden of debt caused by over-ambitious purchases during the boom of the 1980s.

When he formed Forza Italia last October, he seemed still to be playing the businessman, orchestrating a political challenge through existing politicians. Only at the end of January did he go public with his political ambitions. He declared: "I am telling you that we can... that we must build together for us and our children a new Italian miracle."

Even then, too much seemed stacked against him. He talked of family values, rearing over the fact that he had gone through a messy divorce before taking a second wife. He talked of his faith in catholic

morality while his television stations pumped out cheap soap opera culture and a diet of big-bosomed titillation. He talked of free enterprise, ignoring the protected environment of much of Italian business from which he had benefited. He talked of reducing Italy's huge mountain of debt when his own companies, like the Italian economy, had grown on debt.

Above all, he appeared to have the terminal disadvantage of being associated with the *ancien regime* - the clique of Christian Democrat

gained control over three channels, dominating commercial TV and providing access to 45 per cent of the national audience. Nowhere else in Europe is one group permitted such a near monopoly.

Fininvest came under the scrutiny of investigating magistrates in Milan who questioned his close aides over how the television licences were carved up at the end of the 1980s. His younger brother, Paolo, was charged with corruption relating to a waste disposal contract. How, then, was Berlusconi

He worked assiduously to create the image of Berlusconi the winner through Milan's relentless series of victories. He saw the Milan fans as his fans and played to them with his well-staged appearances: landing at the stadium in his helicopter and turning up, dressed immaculately, for training sessions.

With hindsight, Berlusconi's critics overestimated the damage of being associated with his political godfathers and underestimated his existing appeal among Italians, especially the young. During the

In other words, Berlusconi was not hurt by being seen as a traditional politician. On the contrary: in the one hostile television interview, he managed to make himself a victim in the eyes of his supporters. He claimed the interviewer had nothing on which to attack him except raising old chestnuts such as his friendship with Craxi.

He and his advisers realised, correctly, that after two years' non-stop exposure of one corruption scandal after another, Italy had been given an overdose. Corruption had been replaced by concern over jobs and declining incomes as the people's main worry.

Indeed, Berlusconi did not raise the corruption issue during the campaign. And there was no impact when his brother, Paolo, was arrested halfway through and admitted paying bribes for building contracts to develop a Milan suburb - even though Paolo was running the construction company created by Silvio and the bribes went back to the early 1980s when Silvio was very much in charge. Nothing rubbed off on the candidate.

The same applied to well-publicised leaks that Marcello Dell'Utri, Berlusconi's long-standing Sicilian friend and the brains behind his political bid, was under investigation for links with the Mafia. Although the information came from a highly respected former magistrate and head of the parliamentary anti-Mafia commission, Berlusconi turned this to his advantage

and claimed his enemies were using the state apparatus to run a vendetta against him.

The campaign organisers also discovered that people paid little heed to political polemics on television except for those provided by a handful of chat show hosts. Only these - not the politicians - were seen to articulate the problems of ordinary Italians. In his television appearances or at public meetings, Berlusconi avoided speaking from a lectern and adopted the role of a chat show host, wandering across the stage with a microphone.

More importantly, Berlusconi - who had once written a thesis on marketing, and made his fortune out of understanding the advertising market - realised the value of targeting his audience with the right message. His researchers discovered that ordinary people felt excluded by Italy's long-ruling political establishment. This led to the formation of Forza Italia clubs, allowing the public to take part in the political debate in the same way that a football fan can follow his team through a supporter's club.

In less than four months, more than 13,000 clubs were formed nation-wide, organised through Fininvest. Here, the human and financial resources of Fininvest's advertising arm, Publitalia, and the empire's Standa stores chain were invaluable.

The message and the manner in

*One of his fiercest critics called him "the great seducer." Now, a media tycoon with no previous political experience seems very likely to become Italy's next prime minister. Robert Graham explains how the image triumphed over reality*

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The Long View/Barry Riley

## Some hard facts of life



Good advice is the most valuable commodity in investment. But the life insurance industry has insisted that it should cost nothing. That, fundamentally, is why the life offices have got themselves into the most dreadful public relations mess.

This week, one of the biggest and most highly-regarded mutuals, Norwich Union, was forced to suspend its 600-strong sales force pending retraining to levels thought satisfactory by Lantoro, the life assurance marketing regulator. But it is only the latest in a string of top companies, including Legal & General and Scottish Widows, to face disciplinary action.

The industry is in the dock over the mis-selling of personal pension plans to people who would have been better advised to stay in occupational pension schemes or the state scheme, Serps.

Unfortunately, it is often true that exceptional growth in any industry leads to over-expansion and a collapse in standards. Success breeds complacency and, ultimately, arrogance. By any reckoning the life assurance industry has been remarkably successful at collecting savings.

At the end of last year life companies held assets of more than £400bn, up fourfold compared with 10 years earlier. They are selling 6m new policies a year in the UK and collecting £35bn in premiums from individuals. Meanwhile they are paying out £30bn annually in benefits.

Historically the life industry received two main political favours for encouraging thrifty habits among the population. There was a tax incentive of about half the standard rate of income tax, called life assurance premium relief, and there was exemption from the investor protection laws introduced in the 1980s. Life company representatives could continue to sell door-to-door and they were not required to disclose policy costs and charges.

Nigel Lawson abolished LAPR almost

exactly 10 years ago but life business surged on regardless, only partly because new tax reliefs were extended to personal pensions.

The ability to conceal commissions and other selling costs was probably more important than the tax breaks and, since the mid-1980s, the industry has resisted efforts to introduce so-called "hard" disclosure. Various forms of soft disclosure have been conceded. But this month the regulators will unveil a formula for disclosure in cash terms at the point of sale, to be introduced at the beginning of 1995.

The ability of life companies to secure regular savings contracts has been crucial. They aim to persuade customers to sign up for periods, usually, of between 10 and 25 years. This is good business for the companies, ensuring their commercial stability and enabling them to implement long-term investment strategies. Such contracts are also arguably good for the customers, not just because the discipline of a monthly instalment will cause them to save more than they might otherwise do, but also because regular savings will effectively smooth out the investment risks.

Small investors tend to do badly out of non-contractual savings because they move out of building society deposits into stock market-related vehicles at the wrong time of the cycle - producing, for instance, huge peaks in unit trust purchases in years such as 1987 and 1993, but low figures in years such as 1990 when shares were cheap.

However, people do not readily sign 25-year contracts. They have to be persuaded, usually by salesmen on a one-to-one basis, during visits to homes and offices. This is extraordinarily expensive (think of how much a plumber, say, charges to make a call) especially if the salesman is an expert in financial planning, which sadly few are - not at Norwich Union, certainly. A typical salesman only sells one or two contracts a week, and looks for a commission of hundreds of pounds on each.

At one time commissions were restrained by an industry cartel but this was abolished and payments in the past few years have jumped. It has therefore become even more important to disguise the selling costs. Advice, Mr Prospect is told, is "free". However, the expenses are deducted from his instalments over the first year or two, in what is called front-end loading.

These marketing techniques have been very successful in generating business for the life companies. But they are now backfiring. This is because the intermediaries have a huge incentive to sell contracts regardless of whether they benefit the customer.

Life companies are now agonising over how to overcome the effects of hard disclosure. It is likely that they will attempt to obscure the costs of commissions by spreading them over long periods. But that will not go down at all well with salesmen.

A probable consequence will be a further sharp decline in the proportion of long-term regular savings contracts being sold. Already there has been a big swing towards single premium products.

The life companies will argue that the total savings ratio will suffer from these changes, but it will also be true that savers will be less vulnerable to the crippling costs of terminating contracts which they should never have signed.

A structural shift in the UK's investment markets can be expected however. Already flows into occupational pension schemes have tumbled because those schemes are becoming more mature. Now the business of the life offices is becoming more short-term in nature, and they may lose customers to other kinds of institution such as unit trusts. The securities markets could therefore tend to become rather more volatile as the stabilising influence of the very long-term funds becomes less apparent.

Of course, if private investors are given good advice they may avoid the pitfalls of panic buying and panic selling. But they will not receive that advice free.

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MARKETS

# Psychology gains the upper hand

Roderick Oram

If you want a nice, restful weekend, please turn the page.

Still here? Steel yourself for the chart on the right and some of the analysts' comments that follow.

Equities took an unrelenting turn for the worse this week in London and New York. Thus far in the markets' eight-week fall, most analysts had resorted to rational explanations: key conditions, notably US monetary policy, had changed; the markets would quickly accommodate and stabilise at lower levels, they argued.

But psychology has now taken the upper hand, quelling fundamentals. Falling share prices seem to have gained an ominous momentum of their own. The rumblings are louder on Wall Street than in the City but the UK markets are still taking their lead from the US.

The FT-SE 100 index racked up a net loss of 42.6 points on the week closing at 3,086.4. It has now given up its entire 440-point gain since last

November's budget. Gilt prices, however, drawing some comfort from a successful auction of floating rate bonds, edged a little higher.

This is prime time for pundits. Nick Knight, Nomura's London strategist, said the FT-SE 100 was heading for 2,800. Robin Aspinall, of Panmure Gordon, had been forecasting that level since last November. "It seemed a phenomenal distance away only a few weeks ago. Now it doesn't."

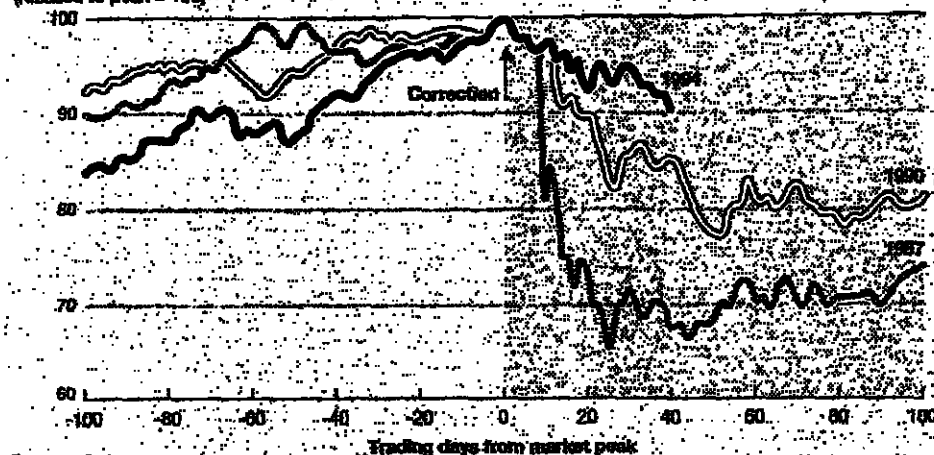
On Wall Street, Ms Elaine Garzarelli, Lehman Brothers' influential equities analyst, said the Dow Jones industrial average was only halfway through a 15 per cent correction. Wall Street prices duly tumbled.

"Investors go through three phases in a stock market decline: complacency, concern and capitulation. We have just entered concern. Capitulation is ahead," said Byron Wein, a leading US analyst with Morgan Stanley.

Retail investors in particular

## Stock market corrections: is history a guide?

FT-SE 100 index (adjusted to peak = 100)



Source: J.P. Morgan

are vulnerable to losing their nerve. On both sides of the Atlantic, they had swarmed into equities as interest rates fell. Now rates are rising and equities falling, some will be tempted to preserve slender gains, or forestall further losses, by selling shares.

Stability has to be achieved at some point, but how far down is the bottom of the market? The accompanying chart shows what happened to the FT-A index of European stocks in the corrections 1987, 1990 and so far this year. Mark Howdle, chief European strategist at J.P. Morgan, does not believe the drop will be anywhere near as steep as 1987 when a financial bubble burst, and even 1990 when the Gulf War unsettled markets. But he thinks the current bottom could be another 5 to 10 percentage points below here.

The pattern is instructive.

About a month into a downturn, stock markets usually manage a feeble rebound, then continue to fall for another month or two. After that, they bump along for many more months trying to build a firm enough psychological and fundamental base from which to rally.

Aspinall, one of City's most irascible bears, agrees with the pattern but believes the bottom will be even lower. He has long advocated that the run up in stocks last year was liquidity driven. Now that the "cascade of cash" is dwindling, stocks have a long way to retreat.

"Valuations are still too high in my view of the world. Low inflation and low growth are not good news for equities."

Those analysts trying to hang on to fundamentals point, for example, to the 4 per cent historic dividend yield which the Footsie will offer if it falls to 2,900. But even so, they admit, a change in psychology would also be needed before enthusiastic equity buying resumes.

"It's been a horrible quarter," said Mark Tinker, an equity strategist at James Capel. What equities need is a firm gilt market to stabilise them.

This support could materialise in the coming weeks when institutional investors begin to implement their second quarter strategies. Pension funds, for example, are likely to find attractive gilts near 8 per cent yield.

"If gilts can provide a prop, the equity market can go back to concentrating on fundamentals and its own dynamics."

The most dramatic turn of the week within equities came

# Serious Money

## Proof of truth in an old wives' tale

Gillian O'Connor, personal finance editor

Here is some good news for anyone cringing at their new tax burden. April is the best month of the year for buying shares. It is a particularly good month for oil shares. But you ought to be thinking of ditching your cyclical shares over the next couple of months. And then, in June or July, you can start nibbling at consumer shares again.

There is just one little catch before you pull out your wallet. These exhortations are based on typical stock market behaviour since the second world war. But these trends do not always hold true, and this year could always be one of those exceptions that prove the rule. Certainly, February and March have been atypically bad for shares.

You have been warned. Now, back to the seasonal theory.

The best known popular tag about the stock market is probably "Sell in May, and go away". Sophisticates scoff at such old wives' tales. But Nick Glyndon of Credit Lyonnais

Laing, who has spent years researching post-war investment trends, has produced what looks like solid proof that this particular tale has more than a kernel of truth.

The basic seasonal pattern is remarkably similar regardless of the period chosen: 48 years, 30 years or just the past 10.

Shares prices start the year strongly, top out in May, either fall or mark time during the summer, and pick up strongly again in November/December.

The new year surge has been even more pronounced recently, with even flatter summer doldrums and a sharper pick-up at the end of the year.

What makes the tenacity of the seasonal pattern all the odder is that the fundamental explanation for it has ceased to exist. Once, it could be rationalised by looking at a farming calendar. After the harvest, farmers were rich and flooded the cities with cash, so interest

rates fell and stock prices rose. In summer, they needed to borrow until they could harvest their crops and sell their animals, so interest rates rose and stock prices fell.

None of that remains relevant. What is more, the seasonal effect appears to manifest itself in most of the other major world stock markets: Wall Street, Tokyo, Frankfurt and Paris.

There are slight variations. The US, for instance, tops out slightly later than Britain, but only by a few weeks. The only relatively sizeable markets that break the mould are New Zealand, which is a bit freakish, and Mexico, which currently stays strong in all seasons.

So, should you rush out and fill your boots with oil shares? Only if you have other reasons for doing so. Even the men who research these seasonal investment trends caution investors against following them blindly. They are an additional prop for investment decision-making, not a self-contained investment system.

□ □ □

From old wives' tales to the spicy modern world of derivatives. Financial adviser Hargreaves Lansdowne is launching its first unit trust. Not one to skulk in the shadows, it is starting its new incarnation as a unit trust manager with a warrant fund. The firm's 30-year-old investment director, Michael Scott, reckons he knows more about warrants than most people.

Warrants give you the right to buy a security at a particular price over a certain period. The warrant is, intrinsically, parasitic: it has value only if it enables you to buy the security at less than its market price. If the market price of the underlying security rises, the market price of the warrant rises even more steeply. If it falls, the warrant falls faster. And if you

fail to use your right to buy before the end of the warrant's life, it expires valueless.

In the right conditions, you can make a lot of money from warrants if you get it right - and vice-versa. Until the market fell back earlier this year, the climate had been ideal for warrants: almost anyone who owned them made money just by sitting tight as a rising market made them steadily more valuable.

The climate could well be less propitious over the next few years. If you want to make money in a static or falling market, you need to trade actively and catch companies on the turn. This is a challenging but essentially risky game.

Is this a good time to be buying units in such an unusually speculative trust from a novice unit trust management group? It is impossible to give a definitive answer yet. But it is possible to state categorically that the only investors who should even consider such a fund are those rich enough to be able to afford to write off most of this investment if it comes to the worst.

The promotional literature describes the fund as being "only for the adventurous". Unfortunately that kind of "warning" often tempts precisely the kind of investor it should deter.

□ □ □

Another tax regime, another tax trap. Most systems for collecting tax seem to penalise certain types of taxpayer almost accidentally. Our tax checklist on page 11 is drawn, deliberately, with a very broad brush. But it is still possible to see something nasty happening to people who get the married couple's allowance and have incomes between £27,145 and £28,865. The increase in the tax bill rises almost vertically at that point. Another, lesser, jump blights people earning between £21,840 and £22,960.

## HIGHLIGHTS OF THE WEEK

	Price	Change	1993/94	1992/93	
	Thurs.	on week	High	Low	
FT-SE 100 Index	3086.6	-42.6	3520.3	2737.6	Political concerns
FT-SE Mid 250 Index	3752.9	-22.3	4152.3	2878.3	Profit-taking
British Aerospace	485	-22	584	185	Forces foreign share sale
BP	348	-24	406.9	225	OPEC agreement lifts oil price
Capital Radio	418	-18	439	171	Bid for Southern Radio
Crode International	358	-14	384	228	Disappointing results
Eastern Electricity	675	+42	725.4	398	Rate cut hopes
Glaxo	800	-25	801	508	Zantac competition concerns
Great Universal	607	+23	659	334	Share buy-back hopes
Hammerston	349	-15	435	233	Weak properties/E143m deal
Inchcape	515	-37	637	475	Poor results
Kingfisher	577	+27	783	496	Brokers positive after weakness
Redland	538	-11	640	402	Results
Southern Radio	118	+22	118	37	Offer from Capital Radio
Westland	333	+15.4	338	121	GKN raises offer

## AT A GLANCE

### April stockmarkets

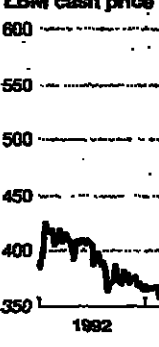
FT-SE 30 Index (1990-93)



Source: Credit Lyonnais Laing

### Silver surges

LBM cash price (cents per troy oz)



Source: Credit Lyonnais Laing

## A mad March for equity investors

Will April run true to form? Normally it is the best month of the year for investors in the UK equity market, although it is usually bad for financial shares. March this year was a pretty awful month for equity investors, with share prices 6.5 per cent lower on the FT-SE-A All-Share index, though only 4.6 per cent lower on the FT 30 Index.

## Speculators' silver lining

The silver price has been heading for the skies as speculators pile into the market. This week the bullion prices topped \$560 an ounce, compared with a low of \$490 earlier in the year. Some traders say that the big speculators are hoping to push the price to \$8 an ounce.

## Insurer retracts agents

Norwich Union, one of the UK's leading insurers, this week suspended 800 agents, including its entire life and pensions direct sales force for a month, for retraining. The move was prompted by Lauto, the life insurance industry's self-regulatory organisation.

## Compensation hope

Former clients of three Fimbra-regulated investment firms may now be eligible for compensation under the Investors Compensation Scheme (ICS).

If you were a customer of Beaver & Partners, of Corby, Northants; ADC Group, of Westbury on Trym, Bristol; or Finlow Clarke & Company, of Sandbach, Cheshire, and believe you may have lost money as a result of their advice, you should contact the ICS on 071-828-8820. Not all former clients will necessarily be entitled to compensation.

## Employee share trust move

New Finance Bill clauses accepted this week by the government will make it easier for companies to establish and operate employee share ownership trusts (ESOTs).

It will no longer be necessary for the majority of the trustees to be employee representatives, and the maximum period for which shares can be retained in the trust is being increased from seven years to 20.

ESOTs have until now been shunned by all but a handful of companies and these changes are designed to boost the take-up rate.

## Smaller companies gloom

Smaller company shares continued their decline last week. The House of Commons Small Companies Index (capital gains version) slipped 1.8 per cent to 1738.49 over the six days to Wednesday March 30.

# Whatever you do, don't say b\*tch in public

Asked on national news on Wednesday what was wrong with the stock market, the investment analyst smirked at the camera and said: "It's a four-letter word that begins with a 'b' and ends with an 't', and we're not allowed to say it in public."

Wall Street may not want to talk about it, but traders and investors are having to confront the possibility that the stock market is in serious trouble.

As of midday on Thursday, the Dow Jones industrial average had fallen almost 300 points, or 7.5 per cent, since the Federal Reserve raised short-term interest rates for the second time on March 22. Over the same period, the broader Standard & Poor's 500 index had dropped 27 points, or six per cent.

By midday Thursday, the Dow was trading more than 10 per cent below its all-time high of 3,978.35, which was achieved only as recently as January 31.

The most recent declines have come against the background of a disturbing deterioration in investor sentiment - an indefinable, incalculable, but extremely important ingredient in the market mix.

While there have been plenty of diversions to unsettle investors lately - new revelations in the Whitewater affair and fresh political unrest in Mexico, Korea, the Middle East and South Africa - no one piece of news has prompted the big sell-off.

Some fingers have pointed to the Fed's monetary policy-tightening 10 days ago, but a quarter-point increase in short-term interest rates to the still low level of 3.5 per cent hardly warranted the big decline in share prices seen since the Fed's move.

The fact that the heavy selling cannot be blamed on a single news event worries analysts, because the gloom that has descended on investors lately is the sort that cannot easily be lifted.

Moreover, the downward spiral in prices is not easily halted. The further prices fall, the more depressed investors become, and the more likely they are to decide to sell stocks so they can put their funds into the relative safety

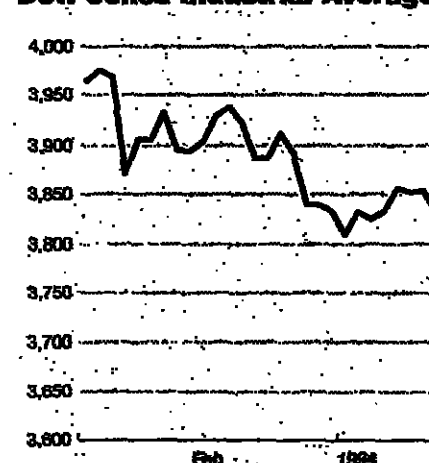
of cash instruments.

Two big Wall Street brokerage houses, Smith Barney Shearson and Dean Witter Reynolds, recommended doing just that this week, when they advised clients to lower stock holdings in their portfolios to 50 per cent and raise their cash holdings accordingly.

Ultimately, if there is a single factor behind the sharp declines and weakening sentiment it is increasing long-term interest rates. Since hitting a low of just under 5.5 per cent last October, long-term rates, as measured by the yield on the benchmark 30-year government bond, have risen to 7.15 per cent.

That surge in rates has been driven by growing concern about inflation among bond investors, who believe that although inflation remains

## Dow Jones Industrial Average



Source: FT Graphics

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That surge in rates has been driven by growing concern about inflation among bond investors, who believe that although inflation remains

low now, the acceleration in economic activity seen since the latter half of last year will push inflation to much higher levels before 1994 ends.

Whether these fears are justified or not (and a strong case can be made that, because of productivity improvements and a global disinflationary trend, the US inflation rate, currently at 3 per cent, will remain low over the long-term in spite of the strengthening economy), the impact of rising interest rates on investor sentiment has been profound.

The impressive gains in stock prices between 1989 and 1993 were primarily caused by falling interest rates, which persuaded millions of individual investors to take their money out of short-term cash assets, such as certificates of deposit and money market funds, and put it into equities.

Share prices, on an upward path throughout that period, only served to encourage further the flow of funds into the stock market.

Now that interest rates are rising, and share prices are falling, individual investors are starting to think twice about whether the stock mar-

ket is the best place for their money. Yet, the latest figures show that while the flow of money into stock mutual funds is slowing from last year's high levels, more money is still going into the stock market via funds than is leaving.

This suggests that investors, while rattled by the rise in interest rates, are still keeping faith with the stock market. How long that faith holds, is the big question.

So where does the market go from here?

No one, of course, really knows, but there are essentially three views.

Either, stocks are nearing the end of a 10 per cent "correction". Or, they are in the middle of a 15 per cent "correction". Or (and this is the bit that Wall Street does not want to think about), share prices are at the start of a long-term b\*tch market.

Patrick Harverson

Monday	3676.35	- 12.38
Tuesday	3699.02	- 63.83
Wednesday	3626.75	- 72.27
Thursday	3638.96	+ 8.21
Friday	Closed	

it knew best, they asked, how was it going to sort out Pillar?

The Caradon management admits readily that, with so much going on at the corporate strategic level last year, it might well have taken its eye off the ball in the basic business.

UK building product volumes rose 9 per cent, as the market began to recover from recession, but prices fell 1 per cent, leaving turnover up 8 per cent.

Operating profits barely were changed at £35.4m (£35.2m), although much of the lack of growth could be put down to problems in bathrooms where the troubles at Spring Ram led to pricing pressures. Nevertheless, forecasts are still for a large rise in present-year profits, to £200m or more from 1993's £182.2m excluding exceptional.

Chief executive Peter Jansen will not be drawn to make forecasts, but agrees that "it would go very hard with us" if earnings per share were not enhanced by the Pillar deal.

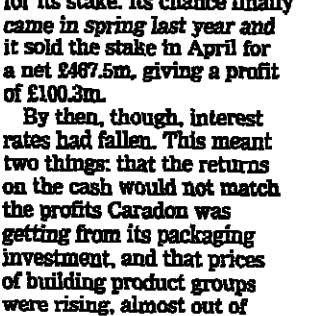
Maggie Urry

# The Bottom Line

## Now Caradon must deliver

### Caradon

Share price relative to the FT-SE-A All-Share Index



Source: Datastream

At the halfway stage, the diluting effect of selling the CaradonMetalbox stake could be seen in a 5.3 per cent fall in earnings per share. But by the full year, with the benefit of only two months' trading from Pillar, this had been made up to leave earnings

unchanged at 15.5p a share. That said, however, it could turn out that doing the strategic deals was the easy part. The Pillar acquisition takes Caradon into new areas, notably building products in North America, and its scale leaves little room for error.

Caradon undoubtedly has bought itself a great opportunity. The Pillar business, although not neglected, did not do as well as it might have within RTZ where the focus is on mining.

Pillar's margins are lower than Caradon's, giving potential for improvements, and it brings market leadership in segments where Caradon has not operated previously.

So far, the city has been willing to take Caradon's ability to turn that potential into profits on trust. But, from here on, Caradon must start to deliver.

What worried analysts about this week's results was evidence suggesting a poorer performance in Caradon's UK building products than had been achieved by its best competitors. If Caradon was not doing well in the business

April 20 1994



# FINANCE AND THE FAMILY

## How the tax wolf will claw your door

From next week, many taxpayers will face hefty new bills. Here, we look at who pays — and how much

Next week, higher taxes are going to hit almost everyone. Our ready reckoner helps you to work out your situation. Each graph allows you to calculate roughly how much more tax you will pay each month on one key item of income or spending. Get a

reading from the graph and fill in the relevant line in your personal tax checklist at the bottom. Then, add up all the tax increases and deduct (if you are lucky) any savings. The result should give you a fair idea of how much richer or poorer you will be.

### YOUR TAX CHECKLIST

Once you have calculated all the relevant items from the graphs, working out the total increase in your monthly bill is easy. Take, for example, a single person of 35 earning £40,000 a year, with a £60,000 mortgage at 8 per cent, a newish company Audi and a fuel bill of £800 a year. Each month, he pays £17.67 more income tax, £10 more in mortgage interest, £28.90 more in car benefit, and £5.33 more in fuel tax. That is a total of £61.90 extra a month.

How much poorer will you be? £ per month

How much extra income tax will you pay? (+/-)

How much more will your mortgage cost? (+)

How much more will you pay for fuel? (+/-)

If you have a company car, will you pay more/less? Add if you pay more, deduct if you pay less. (+/-)

Do you draw a state pension? If so, deduct the monthly rise. (-)

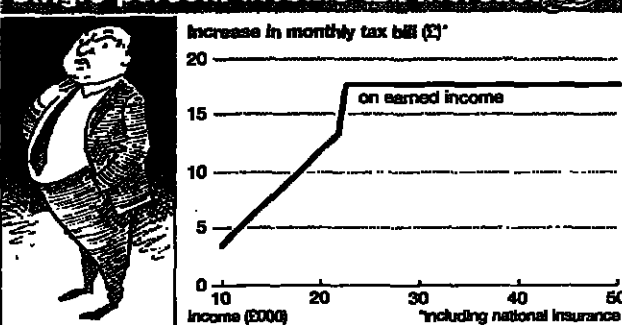
Your total extra tax bill  
Now, pour yourself a stiff drink.

Our thanks for advice on tax to: Touche Ross, W.F. Corroon and Andrew Radice.



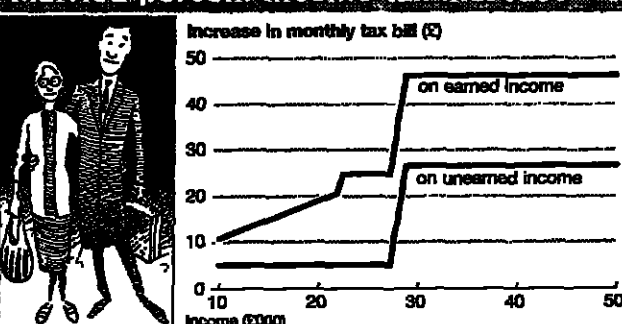
This chart applies to people who do not get the married person's allowance, and all of whose income is earned. Pick the income nearest yours on the bottom scale of the chart. Then, check the approximate increase in your tax bill by reference to the side scale. This does with your income until that gets to £22,365; then, the increase remains constant at £17.67 a month. BUT if you have no earned income or are over 65, you actually pay £2.08 LESS tax each month.

### Single person: income tax increase



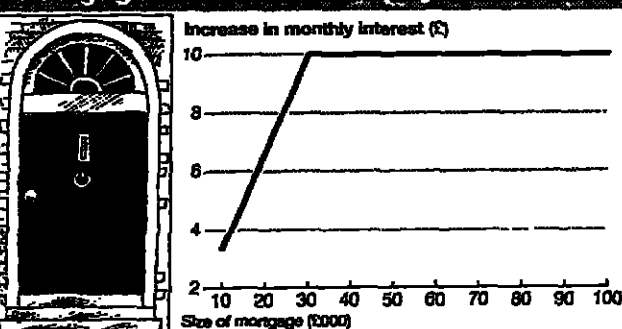
This chart applies only to people who get the full married person's allowance. The top line shows the tax increase if all your income is earned; the lower one shows the effect if it is all unearned. The increase in tax rises with your income until that gets to £28,865; then, the increase remains constant. Everyone earning over £28,865 pays an additional £46.33 a month. For those with unearned incomes of £28,865 or more, the increase levels off at £26.58 a month.

### Married person: income tax increase



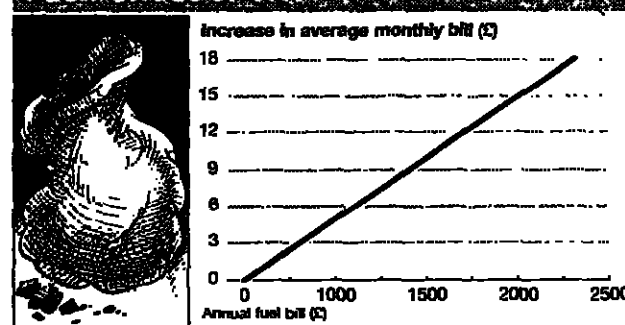
This chart is relevant only for people whose payments benefit from mortgage interest relief. We have assumed an interest rate of 8 per cent. Tax relief continues to apply on mortgage loans of up to £20,000, but the rate at which it applies is being reduced from 25 to 20 per cent. Find the mortgage size nearest to your own on the bottom scale and read off the extra monthly interest cost. If, for example, you have a mortgage of £50,000, it will cost you an extra £120 a year, or £10 a month.

### Mortgage: increase in repayments



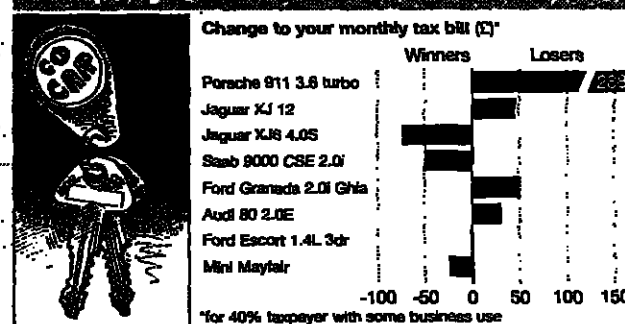
If you have pre-paid your fuel bills, ignore this chart. If you have not, and are thus subject to VAT at 8 per cent from April 1, here is what it will cost you. Find the figure closest to your annual fuel bill on the bottom scale and check the additional average monthly cost on the side scale. If, for example, your fuel bill is £1,500, it will cost you an additional £120 a year, or £10 a month.

### Fuel: effect of VAT



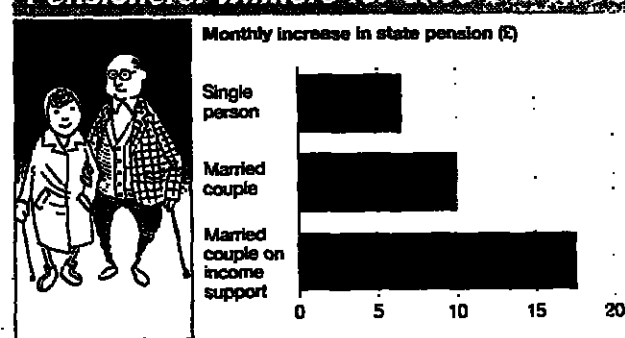
Only people with company cars need consider this chart. Essentially, it is a lucky dip. The change in the tax basis means some people will pay more, some less. The old system was based on engine size; the new one on list price. So, it no longer pays to go for a top of the range model. No general guidance is possible. Remember that if your car tax is less than last year, you need to deduct it from your other tax increases to work out your total extra tax.

### Company cars: winners and losers



Everyone getting the state pension — which means most men over 65 and women over 60 — benefits. Single people all get another £8.50 a month. A married couple gets another £9.96 a month. A married couple on income support gets £17.55 more. But do remember that, if all the other items in your checklist are tax increases, you need to deduct the rise in pension to work out your total extra monthly tax bill.

### Pensioners: winners for once



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European Growth Average	£2,112	£1,816

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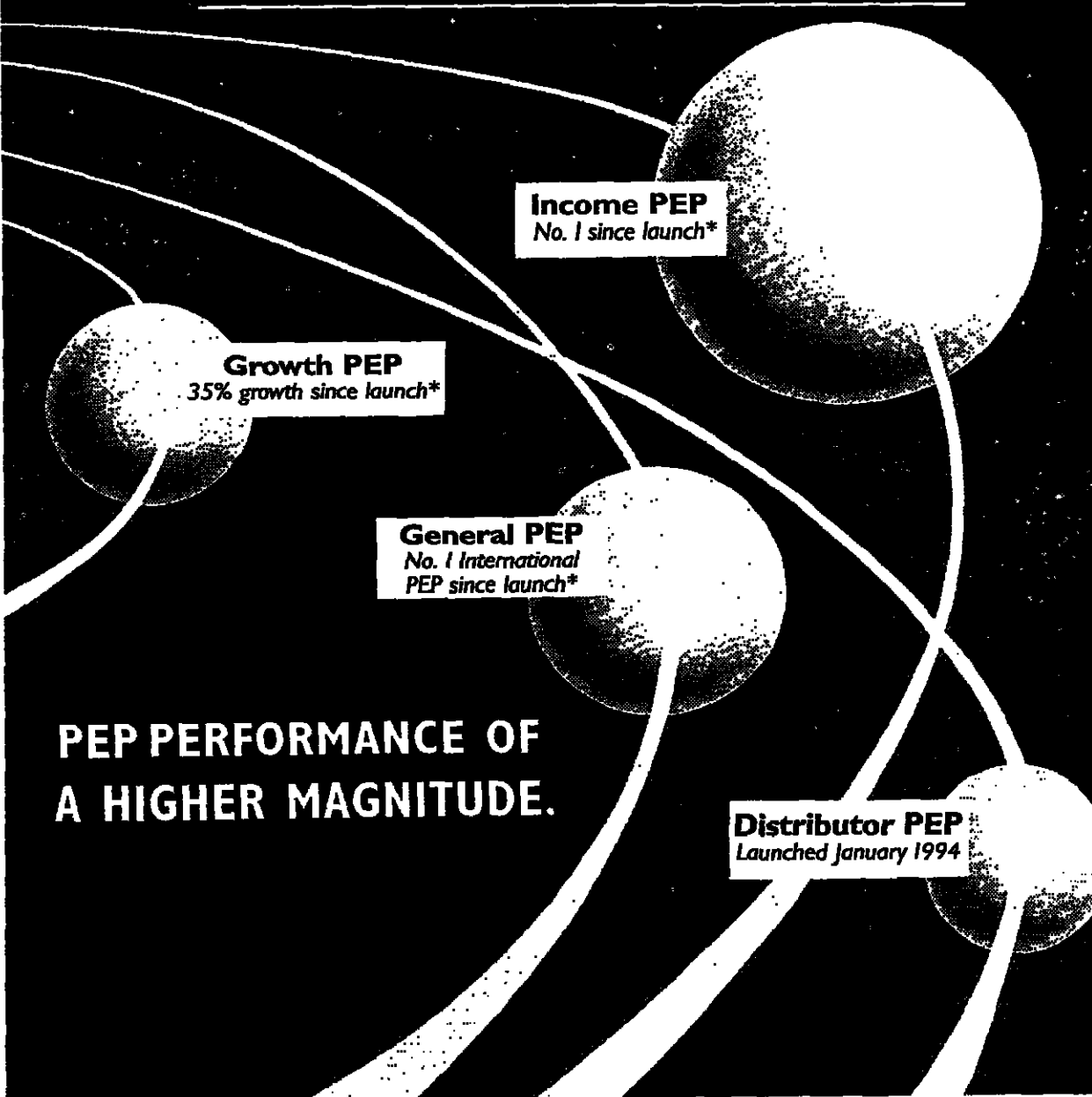
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\*Source: Microcap offer to bid, net income reinvested since launch (11.4.88), and 1.3.89 to 1.3.94. Please remember that the value of units and income from them may fall as well as rise (this may partly be the result of exchange rate fluctuations), and the investor may not get back the original amount invested. Tax rates and reliefs are those applicable at time of printing and may be subject to change. Their value will depend upon individual circumstances. Past performance is not necessarily a guide to future performance. PEP performance is not necessarily a guide to future performance. Morgan Grenfell Investment Funds Ltd, 20 Finsbury Circus, London EC2M 1UT. Member of IMRO. Morgan Grenfell Investment Funds Ltd is an appointed representative of Morgan Grenfell Unit Trust Managers Ltd which is a member of IMRO, LAUTRO and the AUIF.

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\*Source: Microcap/Daily Telegraph PEPGuide, figures to 1st March 1994 from launch (Income Fund, 1/5/85; General Fund, 2/4/80; Growth Fund, 1/12/92) on an offer-to-bid basis including gross income reinvested. Growth figures for Income PEP over five years: 126%. Prevailing tax levels and reliefs are liable to change and their value will depend on your individual circumstances. The value of units and the income from them can go down as well as up and investors may not get back the full amount invested. Past performance is not necessarily a guide to the future. Issued by Newton Fund Managers Limited, a member of IMRO, LAUTRO and AUIF.







صكنا من الامل

FINANCE AND THE FAMILY

# The commission-hater

Chantrey Financial Services: 10th in a series on fee-based advisers

**D**avid Harris, the managing director of Chantrey Financial Services, has a dream. He would like commissions on the sale of financial products to "disappear off the face of the earth."

Harris says: "In general, the financial services industry has been brought up to think that any time spent will ultimately result in a product sale. I think that is at the root cause of all our problems. We have created a public relations image that is really appalling, and we have now got a very long road and a hard job to try to put it right."

Harris worked for a Canadian stockbroker before joining accountant Chantrey Vallacott to develop its fixed interest business. He also began to take over the investment portfolios of the firm's private clients. He founded Chantrey Financial Services (CFS) in 1986 as the investment and financial planning arm of the practice.

The rigorous professional approach by CFS reflects Harris's own trenchant views on the manner in which independent financial advisers (IFAs) should conduct their business. From the start, it offered comprehensive financial planning, exclusively on a fee basis, and obliged its advisers to acquire qualifications as part of their employment contracts.

Fees are time-based and range from £35 to £150 an hour. Any commission received is rebated to clients or re-invested on their behalf. Harris says: "Everybody in CFS must produce an account statement daily, and this has to account for seven hours of client work. All that information goes into the main frame computer and is converted into a monthly print-out. I can analyse this and see who spent what time on a client's account."

Harris argues that the financial services arm of an accountancy practice should enjoy the best of two very different worlds. He says: "I am fully aware that there are people in the accountancy firm with more knowledge on tax than I have, and I don't think IFAs can give proper tax advice."

## The Independents

David Harris



Name of financial adviser:	Chantrey Financial Services Ltd
Address of head office:	Regent Square House, 10-12, Regent Square, London W1B 5EF
Date firm was established:	1986
Regulator:	Fundis
Funds under management:	£25 million
Number of clients:	300 (mostly private and small business)
Number of offices:	One
Minimum investment accepted:	None
Services offered:	Comprehensive tax, investment and financial planning service
Fees:	£35 to £150 an hour

been a leaning to put tax and investment planning together. It is very difficult to make an investment without a tax consequence; and, when an accountancy firm is looking at tax matters, the conclusion will often be an investment. They are entwined."

Harris concedes, however, that there can be a clash of cultures between accountants and IFAs. His accountant colleagues sometimes have a jaundiced view of financial services, and it can be difficult to find financial advisers who operate comfortably within the framework of an accountancy practice. "You need someone who is technically competent, approachable, has the patience of Job but is also commercially aware," Harris says.

"On a day-to-day basis I am given a completely free rein, but I am also responsible to shareholders for the performance of the company. I am sure that a lot of clients probably see us as a department of the firm, and I think it is a measure of our success that we are named in the same breath as the tax practice." Some 90 per cent of the CFS clients come through the accountancy practice.

Chantrey Vallacott is the result of a merger between two firms (one dating back to 1788),

each with a rather different client mix. One practice concentrated on personal tax clients, with a particular emphasis on the legal profession, while the other dealt largely with successful family companies. These two strands are reflected in Harris's clients today; 20 per cent are lawyers.

**A**bout 40 per cent of the firm's income comes from investment management; 40 per cent from work on pensions and their derivatives; and 20 per cent from personal or corporate financial services. The average investment portfolio is around £100,000 but no minimum is imposed: Harris says there is room for "Mrs Smith with £5,000".

"The starting point of any portfolio is always National Savings and index-linked vehicles," he says. "Then, we look at the equity portion. We would always suggest an international spread. For the most part, the portfolios will tend towards investment trusts and units trusts and offshore funds." If clients want a direct exposure in equities, Harris uses stockbrokers with which CFS has connections. He says: "As a quid pro quo, we get some advice and valuations

free, so we are able to provide this added value for clients."

All client investments are managed on an advisory basis. "As an investment manager, there are times when I would be delighted to have discretionary funds," Harris says. "It would make my life much easier. But we believe that clients come to an accountant for advice, and that they then make their decisions on the advice he gives," Harris adds: "I think our clients trust us."

He is optimistic about the future of IFAs such as Chantrey but less happy about other developments in the financial services industry. "I am sceptical whether the proposed new Personal Investment Authority will work, and I think the IFA sector will be under-represented on its board. Ultimately, that must mean that the big banks and the life companies will have more and more significance."

"I believe firms such as CFS will have a niche if they do their business properly and would like to see that niche grow. But I am not terribly confident that we will not end up with a fee-paying sector only for high net worth individuals. I would be very disappointed if that happened."

Joanna Slaughter

# FT Asia-Pacific Telecoms Analyst

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## FINANCE AND THE FAMILY

## Pioneers of pensions

Provident Life and Professional Life pioneered the concept of non-commission personal pension plans and provided a blueprint for the modern pension contract. So far, they have been joined by two recent entrants to the individual pensions market: Mercury Life and Invesco MIM. But when life offices are forced to reveal full charges and commissions from January 1995 onwards, more will join them.

Provident Life and Professional Life are backed by heavyweight parents – both Winterthur and Skandia are among the European top-20 life offices. Winterthur has an impressive top rating of AAA from Standard and Poor's.

As this series has revealed, most major providers are prepared to sell their commission-loaded plans on a nil-commission basis. Under this system, though, it is difficult to check how much of the commission actually is re-invested in your plan.

With a genuine non-commission plan, if the adviser's remuneration is deducted from the client's premiums, this will appear as an explicit charge on the client agreement. And the flexibility of non-commission products compares well with standard commission-based plans, since the charging structure is explicit and there is no penalty for reducing or stopping premiums.

A distinguishing feature of the two companies' plans is that, in addition to internally managed funds, they offer access to external fund managers. This allows the client to switch investment managers without the cost of changing to another provider.

Professional Life's charges include an annual administration fee of 0.75 on the first £5,000, reducing in stages to 0.25 per cent. The annual charge of the external fund manager ranges from 0.2 per cent (BZW) to 0.95 per cent (Morgan Grenfell). There is also an establishment fee of £250 a month for five years.

The plans normally are sold

on a commission-free basis, but Professional Life will deduct a flat rate adviser's fee from the first premium if that is the method preferred. The company offers a series of managed funds (invested in a range of sectors) and sector funds (such as UK, US, European equity) run by six external managers.

Most of these funds were launched in 1990, so they do not yet appear in the five-year performance tables. Over three years, however, Fidelity and Morgan Grenfell achieved excellent managed fund returns followed closely by Gartmore, with performance consistently in the top 35 per cent. Professional Life's money fund is a leading performer for Standard and Poor's.

The bulk of Professional Life's personal pensions are used as transfer plans, although a few are transfers of benefits from occupational schemes. Most clients switch from other providers to gain access to the range of external investment managers.

Provident Life's initial charge depends on the premium size: for example, 2 per cent up to £19,999. The annual fund management charge is low: 0.5 per cent. There is also a set-up fee of £150 on regular premium plans, and a service fee of up to £250 a month.

Last July, following a disappointing period of in-house investment, Provident Life appointed Schroder to manage all but one of its equity-based funds. The impact of the external management has yet to be seen – but Provident Life's non-equity funds (property, fixed interest, index linked and money) are run in-house and have an excellent record.

Debbie Harrison

## FACT FILE 9

**Names:** Professional Life, Status Property.  
**Founded:** 1982.  
**Market position:** Subsidiary of Skandia Life, 19th largest insurance company in Europe by premium income.

**Financial strength:** Parent Skandia has 'adequate' Standard & Poor's assessment.  
**Funds under management:** £23m (at 31/12/93).

**Premium income:** 1993: £45m (vs £40m in 1992).  
**Number of personal pension clients:** 2,500.  
**Number of transfer plans sold:** 2,544.

**Sales outlets:** Consulting activities, chartered accountants and independent advisers.  
**Commission paid:** Either nil, commission or explicit amount deducted from that premium.

**Recurring single premium contracts:** No.  
**Expense ratios (management expenses divided by total premium income):** 1991-93: 1.8%, 1992: 1.8%, 1993: 2.3% (industry average is 1.8%).

**Reductions in yield:** Equivalent annual percent change over the life of the contract: 0.7 per cent for 25-year regular premium unit linked plan (industry average is 0.5 per cent).

**Performance:** With profits and average over the years, Unit linked managed fund above average. Over five years (regular premium) below average (single premium UK equity and international funds below average). Non-equity funds (property, fixed interest etc.) excellent.

**Standard & Poor's:** Transferred in from Fidelity plan when the unit was going to be withdrawn from the market. Without this, the figure would have been 12 percent.

**Source:** Both fact files FT Financial Services 1994 handbook, Financial Management and Money Management.

**Names:** Professional Life, Status Property.  
**Founded:** 1982.  
**Market position:** Parent Winterthur, the Swiss insurance group, is one of the top 20 in Europe by market capitalisation.

**Financial strength:** Standard & Poor's rating for Winterthur is AAA (superior).  
**Funds under management:** £3,500m (at 31/12/93).

**Premium income:** 1993: £1,220m (vs £1,120m in 1992).  
**Number of personal pension plans:** 5,000.  
**Number of transfer plans sold:** 1,500.

**Sales outlets:** Independent financial advisers (95.5 per cent) estate agents (4.5 per cent).  
**Commission paid:** Either nil, commission or explicit amount deducted from that premium.

**Recurring single premium contracts:** No.  
**Expense ratios (management expenses divided by total premium income):** 1991-93: 0.9 per cent, 1992: 0.9 per cent, 1993: 0.9 per cent (industry average is 1.8%).

**Reductions in yield:** Equivalent annual percent change over the life of the contract: 0.7 per cent for 25-year regular premium unit linked plan (industry average is 0.5 per cent).

**Performance:** With profits and average over the years, Unit linked managed fund above average. Over five years (regular premium) below average (single premium UK equity and international funds below average). Non-equity funds (property, fixed interest etc.) excellent.

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NEW INVESTMENT TRUST LAUNCHES														
Manager (Telephone)	Broker	Sector	Target	Start	Year	PE	Start	Start	Start	Start	Start	Start	Start	Start
■ <b>Global Smaller Companies</b>														
John Smith (071 378 7979)	Griffiths	Global	1.5	20-30	n/a	No	Yes	100p	95p	1,000	1%	n/a	n/a	Closes 13/04/94
This fund will chase economic conditions likely to promote smaller company outperformance around the world														
■ <b>Piper European Smaller Companies</b>														
Piper International (071 246 4000)	Chase	Europe	1.5	20-30	n/a	Yes	No	100p	95p	1,000	1%	n/a	n/a	Closes 24/04/94
Plans to take advantage of expected boom for smaller companies as European economies recover														
■ <b>Templeton Emerging Markets (C-shares issue)</b>														
Templeton (0800 272728)	Smith New Court	Emerging Mkts	1.5	140	n/a	No	Yes	100p	n/a	1,000	1.25%	n/a	n/a	Closes 14/04/94
A new chance to participate in a highly successful trust with a very wide geographic spread														
■ <b>Templeton Latin American Investment Trust</b>														
Templeton (0800 272728)	Cazenove	Emerging Mkts	1.5	50+	n/a	No	Yes	100p	95p	2,000	1.25%	n/a	n/a	31/3/94-22/4/94
The third new Latin American fund this year; this one is led by Mark Mobius, the force behind Templeton Emerging Markets														
■ <b>Undervalued Assets Trust</b>														
Scottish Value Mgt (031 229 1100)	James Capel	UK Growth	n/a	40-50	n/a	Yes	Yes	100p	95p	2,000	1%	n/a	n/a	6/4/94-26/4/94
Based on detailed research to find UK companies whose worth is underestimated by the market														
NEW UNIT TRUST LAUNCHES														
Manager (Telephone)	Broker	Sector	Target	Start	Year	PE	Start	Start	Start	Start	Start	Start	Start	Start
■ <b>Global Privatisations Fund</b>														
Fidelity (0800-414161)	Int Equity Growth	Global	1.5-2.0	Yes	Yes	5.25	1.5	No	1,000*	2	1.5	1-3*	1,000*	Rx pr 21/3/94-24/4/94
Another fund on the privatisation band wagon but one of only two (Guinness Flight) global funds. Includes companies benefitting from privatisation														
■ <b>Extra Income Trust</b>														
Albion Life (0202 292373)	UK Balanced	7.25	Yes	No	6	1.5	No	3,000	6	1.5	No	3,000	1	21/2/94-24/4/94
A high income fund using derivatives to boost income to 2% above base rates, capped at 13%; do not expect capital growth														
■ <b>Managed Income Trust</b>														
Albion Life (0202 292373)	Fund of funds	4.5-4.8	Yes	No	6	1.5	No	3,000	6	1.5	No	3,000	1	21/2/94-24/4/94
Pays income monthly and invests in up to 7 unit trusts. About half the investment is in fixed interest funds.														
*or £50 a month. **Withdrawal charges of 3 per cent in first year, 2 per cent in second year and 1 per cent in third year.														

## Q&amp;A Scrip and the Revenue view

## BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the accuracy of the information given in this column. All examples are for illustrative purposes only.

I am just setting about my capital gains tax computation for 93/94 and am stuck on two issues:

1. The Inland Revenue approach to computing income and gains on disposal of shares acquired through enhanced scrip dividends.

2. The date of acquisition of shares acquired via a trust settlement. My father died in 1968, leaving shares in trust for me, with my mother receiving all income until she died in 1986. When did I "acquire" them for CGT purposes?

As 1982 saw a new "base line" of capital gains established, I have been assuming that April 1983 is the date for indexing any gains from this trust settlement.

1. A scrip dividend which is sold straight away has to be shown in your tax return twice: first as income and then in the capital gains section.

For income tax purposes, you will be treated as though you had been paid a dividend equal to 125 per cent of the market value of the scrip (on the quarter-up basis), and as though income tax had been deducted from that dividend at the rate of 20 per cent, broadly speaking. That notional income tax is not repayable, however.

For CGT purposes, the scrip is treated broadly as though it were a rights issue, taken up at a price equal to its market value (on the quarter-up basis, as above). The calculation of the chargeable gain will, therefore, depend upon whether part (or the whole) of your original shareholding was acquired (or is deemed to have been acquired) before April 6, 1968, for example.

Ask your tax office for the free pamphlets CGT13 (The indexation allowance for quoted shares); CGT14 (Capital gains tax: an introduction); and CGT16 (Indexation allowance: disposals after April 5, 1988).

2. On the bare facts outlined, you are deemed to have acquired the shares on the day of your mother's death at their market value (on the quarter-up basis) on that day.

A cottage to let

I am considering letting a terraced cottage as shared accommodation. I am told the Revenue does not regard property letting as a business, regardless of how much time is actu-

ally spent in managing tenants, maintenance etc., and will not allow expenses to be deducted before tax. Is this so?

The letting of property is not a trade (and, consequently, the generous expenses rules of case I of schedule D do not apply), but expenses are deductible under the rules of schedule A (unfurnished letting) or case VI of schedule D (furnished letting).

It is possible to elect for income from furnished lettings to be assessed partly under schedule A and partly under schedule D case VI, which can be advantageous in some situations.

As a first step, ask your tax office for the free pamphlet IR87 (Income from letting property). Then, since you will need

a solicitor, try to find a firm which can give you tax advice as well as preparing documentation for the lettings etc.

## Half share in house

My parents owned the house in which they lived as tenants in common. My father died recently and left me his half share. If the house is sold, will I be liable to CGT on my share? (I own and live in a house in another town). If I gave my share to my mother, would she have to pay gift tax? If I refused the inheritance, would it go automatically to my mother, thus avoiding any CGT if the house is sold later?

What you might save in CGT could be more than lost in inheritance tax (on your mother's death). If you renounce your father's share, your reference to "gifts tax" indicates you do not understand the CGT and IHT systems – so do discuss things with the lawyer.

Before the second anniversary of your father's death, you should give formal notice to your tax office (under section 22(5)(a) of the Taxation of Chargeable Gains Act 1992) that your existing home is to be treated as your main residence, with effect from the day of your father's death.

This notice will give you the chance eventually to elect for your parents' home to be treated as your main residence, and then to elect for your existing home to be treated as your main residence once again, with a week or so in between. Such judiciously-timed notices could bring you substantial (or complete) relief from CGT on your half share without producing an unacceptable CGT bill on selling your existing home.

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## MINDING YOUR OWN BUSINESS / MOTORING



The Mirpur brothers - Harry, Robert and Michael in their showrooms. Exports account for 90 per cent of their childrenswear output.

## Brothers in business

The Mirpuris are interchangeable - except when it comes to pay. Wilf Altman reports

The Princess Royal asked: "Are you going for the hat trick?" as Robert Mirpur, Managing Director of Magicwell, a North London children's clothing company, proudly received an award for the second year in succession.

The occasion was the annual awards dinner of the British Apparel Association of which the Princess is president. The Mirpur brothers' firm, Magicwell, had just won again the "Outstanding Export Achievement" award in the childrenswear category.

The business was started in 1980, although its roots go back further, and has been built mainly on overseas sales.

In 1970, brothers Robert, Harry and Michael Mirpur, plus a cousin and an uncle, set up a childrenswear shop in south-east London. By 1974 they owned four shops specialising in clothes for 2-12 year olds.

Robert recalled: "Retailing, combined with a little wholesaling, taught us two important lessons - the value of being close to and listening to our customers, and stocking what they wanted, and secondly offering a good service. If we had a good order in the morning, we'd run to the supplier in the afternoon and

get the order out on the same day."

In 1980 the three brothers decided to branch out on their own to concentrate on exports, mostly to the Middle East at first.

They began above their shop in Islington which they still own. "It helps us to keep in touch with customers' tastes," Michael explained. The other shops were sold.

During the course of the sale they were impressed by accountant Melvyn Singer of Beng Kaprow Lewis, who has since been a friend and adviser on such key issues as financing growth, revising the capital structure of the company, tax planning and so on.

As retailers and wholesalers, the Mirpur brothers were already selling to visiting Arabs in the mid-70s. Coming from the Sudan they all spoke Arabic and began to appreciate that fashionable children's clothes were becoming a growth market.

"We started making up collections through our supplier contacts," Harry recalled. "We went out to Kuwait, Bahrain and Dubai. I well remember our first big order was worth £17,000. In our first year, export sales came to £132,000. For the next three or four years we doubled this every year."

Now the brothers take it in turn to make at least three overseas trips each year. But while export sales account for about 90 per cent of turnover, more efforts are being made to increase UK sales. Key accounts include Debenhams, House of Fraser, Etam and Fenwick.

Total annual turnover has reached \$5m and at the firm's North London office and warehouse the average weekly business of £125,000 is handled by seven employees and the three brothers.

Robert, the eldest, studied production. He looks after marketing and finance - the latter with advice as required from Melvyn Singer. Harry is responsible for administration, shipping and documentation and Michael handles UK sales.

The brothers work closely together. "We are fully interchangeable," said Harry. "Each of us can do the jobs the others do." But that does not mean they are paid the same. Robert explained: "We pay ourselves and share profits according to age. That's a traditional Asian custom when businesses are built and run for the benefits of families." Most of the profits, however, are reinvested to allow for expansion.

The Mirpuris' strength is in design and sourcing. They are quick to spot market require-

ments and tastes, and to develop ideas. Middle Eastern customers like frills and flounces, fancy party frocks and mini three-piece suits.

Almost all their ranges, including children's body vests and briefs, lace-trimmed socks and fancy waistcoats are manufactured in the UK by between 30 and 40 companies - many of them small businesses in the Midlands, equally keen to come up with new ideas and to work on those put forward by the brothers.

"It hasn't always been straightforward expansion," said Robert. "We've had some very thin times, for instance during the Gulf War and more recently when the pound was very strong. On the other hand we've benefited since Britain came out of the ERM."

The brothers admit their business success owes a debt to their family, not least the entrepreneurial skills of their grandfather. At the turn of the century he set sail from India for South America, then to Alexandria where prospects were said to be better. From there he sailed along the Nile to Port Sudan where he hired a donkey to carry bundles of Chinese silk and Indian curios to the docks to sell.

His sons built on this foundation by opening department stores in the Sudan before com-

ing to England. "But this," said Robert, pointing to a bulging storeroom and the rows of frilly childrenswear, "would have been beyond grandfather's imagination."

■ Magicwell, 33-34 Gordon House Rd, London NW5 1LT 071-452-4264

## Road Test/Stuart Marshall

## A cabriolet to fit seductive moments

It was the kind of motor-few believe still possible and fewer have experienced. The road - well-graded, signposted lavishly and mostly well-surfaced - ran through ranges of rocky hills that changed colour by the minute. It was almost free of traffic, the sun blazed down from a cloudless sky, and the open, two-litre Peugeot 306 cabriolet matched the mood perfectly.

I was in Egypt, driving down the west coast of the Gulf of Aqaba to Sharm al-Sheikh and the Ras Muhammad nature reserve on Sinai's southern tip. For most of the way, the land is uninhabited.

On the straights, with clear visibility for miles, the Peugeot ran safely up to its maximum 121mph (196kph). On the winding passes, it cornered as though glued to the tarmac, the 123-horsepower engine singing sweetly in third and fourth.

In Sharm al-Sheikh itself, a prudent 25mph (40kph) or less was dictated by a combination of ferocious speed bumps and locals unable to decide on which side of the road to drive. But the Peugeot's suspension dealt as capably with deep potholes as it had with the odd stretch of broken surface at high speed.

For the cabriolet, Peugeot has reinforced the 306 hatchback body shell heavily and tuned the suspension. As a result, the open body is so stiff that, even on corrugated dirt roads, the fascia did not shake. (I have known some open cars to shake so badly that the instruments became a blur on moderately rough surfaces.)

The hood is super-efficient, too. Unclasp a pair of clips on the windscreen, press a button - and the top vanishes under an automatic pop-up panel in the rear deck.

There is not quite so much room in the back seat as in a 306 hatchback but, for a cabriolet, the boot is surprisingly wide and deep. Driving position and general dynamics -

the accurate power-assisted steering, light gear shift, powerful brakes and sure-footed handling - are as good as one expects of a Peugeot.

Even at maximum speed, hood and windows down, your head feels in no danger of being blown off. Windows up, and with an optional extra (around £100) air-deflecting mesh in place, there is barely enough draught at modest speeds to ruffle the hair.

A hard top that fits over the folded-down hood during winter months will be offered later.

On the return leg, I drove a

**Peugeot expects to sell around 1,000 of the 306 soft-tops a year in Britain**

1.8-litre cabriolet. It lacked just a little of the bigger car's muscle (108hp against 123) but was just as enjoyable, cornering as capably and riding the bumps a shade more comfortably than the squatter-tyred two-litre. Curiously, the less-powerful model has slightly higher gearing, but it drives just as flexibly at low speeds.

Mainland European buyers will also be offered a 1.8-litre cabriolet with automatic transmission. But Britain - initially, at any rate - will get only the two-litre manual, which arrives in May and is likely to cost about £17,000.

Peugeot expects to sell 1,000 a year in Britain of the 306 cabriolets. Some will be bought by people who might otherwise have gone for a posh Escort, Astra, Golf, Renault 19 or Rover 220 soft top.

But Peugeot also has the upmarket BMW 3-Series and Audi 80 convertibles in its sights. And the 306 - especially when topless - looks so seductive that the 1,000-a-year forecast might turn out on the low

side if the UK has a few decent summers.

The day before visiting Sharm al-Sheikh in the 306 cabriolets, I drove a new 1.6-litre Peugeot 106 Griffie from Aqaba in Jordan to Petra. (There, I swapped it for a sure-footed little Arab grey to ride down the narrow gorge to the ruins of the ancient city.)

Emerging to see the rose-red Nabatean treasury glowing theatrically in the sunshine was everything I had imagined it would be - a moment of sheer magic.

Driving north up the main highway from Aqaba, the Griffie flew past articulated lorries groaning uphill and creeping cautiously down. On the sinuous minor road to Wadi Musa and Petra, I found it urbane and entertaining.

For the return leg I tried the latest version of the sporty 106 XSI, 1.8-engined like the Griffie but with five more horsepower (95 against 90) and firmer suspension.

On balance, I preferred the Griffie. It had all the handling and road-holding anyone could use responsibly on public roads, plus the ride comfort of a much larger car.

Aware that Griffie and grief sound the same to Britons, but have different meanings, Peugeot will call the new luxury 106 the Gentry when it arrives in September, priced between £11,000 and £11,500.

The XSI, due in the UK in June, will be just under £11,000.

A feature of the PSA/Fiat multi-purpose vehicles, the Peugeot 806 among them, unveiled at Geneva show (this column, March 12/13) is a gear lever protruding not from the floor but the fascia. Its movement is exactly the same but the floor is left uncluttered.

Having tried and liked it in a new Peugeot Boxer light commercial, I think it could start a new fashion. Or, thinking of the Renault 4 and Citroën 2CV, which had something similar, it might revive a very old one.

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Solicitors for Regent Corporation PLC

## Prima donna performance

Continued from page 1

which it was put across by Berlusconi were researched and scripted carefully in a way that no previous Italian politician had bothered to do. Berlusconi, although 57 and balding, was made to look youthful. He went around with a permanent make-up artist and, where possible, sought to be filmed by his own in-house camera crew. His double-breasted suit, immaculately pressed shirt and neutral tie made him look successful without being too imposing - the kind of person every middle class mother would trust immediately when answering the door bell.

As for the message, it bore a strong ideological tone of right-wing, free market ideas. He even tried to enlist the services of Lady Thatcher in his campaign - although, unlike Britain's one-time Iron Lady, he conveyed his message in a non-confrontational way, keeping political jargon to a minimum.

He spoke in disarmingly simple terms. "This country has four million employers. Just imagine if every one of these were to create one new job. We can solve the problem of unemployment," he told a television audience.

While this appealing solution to Italy's most pressing problem did not impress the economists, it certainly had many Italians nodding in agreement. They want to believe he can

create 1m jobs and lower taxes.

All this helps to explain how Berlusconi got to where he is. It offers few guidelines on how he will fare as a politician. In his favour, he has enormous energy and determination and, according to his supporters, an excellent business brain. But this is not necessarily enough to create a good politician.

He and Forza Italia would have faded into obscurity if he had faded badly. But, having come out on top, he now becomes vulnerable to the new things from which his campaign strategy protected him: a critical and fickle public audi-

ence; the magistrates investigating the practices of Fininvest and its alleged criminal links; and the conflict of interest between owning Fininvest and being a politician.

His personality as a manager is ill-suited to dealing with a fractious political establishment, even if this establishment is being reconstructed. He is vain and wounded easily by insults. He is a poor public speaker once forced outside scripted remarks.

In particular, he has made himself a hostage to campaign promises that cannot be fulfilled easily in the present climate without raising Italy's

debt or the spectre of inflation.

In short, he has studied carefully how to be a politician from the viewpoint of marketing a product - Silvio Berlusconi, the new face in Italian politics. But while elections may be about marketing, the broader art of politics in Italy is about survival in a jungle of intrigue.

Let us not forget that Italy fathered Machiavelli. And if you listen to the stories behind the music and the prima donnas of Italian opera, you will find they are often of betrayal.

■ As They Say in Europe, Page XVIII

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**FT Surveys**



## FASHION

# Men who change gear

Many can't wait to throw off their dull weekday attire, says Paul Keers

It is only at weekends that many men feel they can dress as they choose. Professional dress is so proscribed that there is little scope for individuality during the working week. But at weekends, men reveal a little more about their personality in the way they dress, whether it is to play sports, play with the children - or play the peacock.

Michael Naylor-Leyland, 37, is executive assistant manager of The Lanesborough, the luxury hotel on Hyde Park Corner, in central London. His working days are spent in formal morning dress - not the ideal for someone who admits: "I like eccentric clothes, and I've always worn fairly odd things." So at weekends, a sartorial butterfly emerges from this professional chrysalis.

At the centre of Naylor-Leyland's off-duty wardrobe are more than 20 waistcoats, collected over the years. "I've got velvet, beaded, striped, even Regency double-breasted waistcoats," he says. Several come from Tom Gilbey's celebrated Waistcoat Gallery. "The great thing is that, along with a splash of colour, waistcoats give you a couple of extra pockets."

The names in his wardrobe are well-known for their colourful menswear. A purple cashmere jacket is from Jasper Conran, another, in Prince of Wales check printed with purple roses, is by pop-star designer Stephen King. Naylor-Leyland used to like the extravagant creations of Scott Croft, and enjoys the "wonderful waistcoats and jackets" of Richard James. All are designers of bold, vivid clothes, even when it comes to jeans, his favourites are bright red, from Replay.

He likes to wear polo-neck shirts, in red, black, white or purple; comfortable and casual, they can also look "faintly formal" worn under a jacket. "I never wear a tie in my spare time except under duress," he explains. "I was probably hanged in a previous life." And because he does not wear them for work, even his suits can be idiosyncratic, like one from Katharine Hamnett "which has baggy trousers and a jacket which is almost a frock

coat." Right down to his shoes, Naylor-Leyland exhibits a colourful individuality, at odds with his professional appearance. His favourite footwear is a pair of Cuban-heeled cowboy boots, bought when he spent a year in Brazil. "They were practically a uniform out there, and they're just incredibly comfortable once you've worn them in."

In the UK he seeks out classic Frye cowboy boots, and recommends "a pleasant shop with an unpleasant name" - R Soles, in London's King's Road. He has also indulged in "several pairs" of woven Turkish slippers by interior designer Nicky Haslam. And he still wears the light slip-ons in purple suede which Johnny Moke, a King's Road shoemaker, made for his wedding. Only his socks, it seems, remain in the traditional male palette of black or blue. Socks, he says, are unimportant.

Francis Hazel, 49, is a property banker, who runs a German mortgage bank in the City. His work attire is exactly what one might expect, a traditional striped shirt and suit. Hazel says, it is "not so much a uniform as the right thing to wear in respect of one's clients as much as one's self." But in dressing for the weekend, he completely rejects the equivalent traditions in British casual dress.

"A lot of my friends eschew the Tattersall check, woollen tie and cavalry twill point-to-point look, and I totally reject that look," he says. "It's for criminals and country solicitors."

Instead, his off-duty clothes tend to be American and selected on the basis of practicality.

"As soon as you become a parent, it affects your wardrobe," explains Hazel, father of boys of 4½ and 10 weeks. "Basically, my weekend style, which I would describe as halfway between preppy and grunge, is based on the idea that it's going to get chucked upon."

Like many men, Hazel gets everything from The Gap. "It's a one-stop shop, well-priced and the colours are wonderful," he says. "I can find everything in that spectrum of denim blue, navy blue,



Francis Hazel with his elder son: he tends to select American clothes on the basis of practicality

grey, and chino tan. My Gap blue denim shirt is probably my most favourite possession."

The taste for Americana runs throughout his weekend wardrobe, from Bass Weejun loafers in black and brown and Levi 501s, to fly-button chino trousers bought from Banana Republic in the US.

"They're all very sporty, easily serviceable clothes, extremely practical but stylish. Cotton, linen and denim is really the style of the

1990s, and I find the American style, particularly Gap style, is more adaptable and certainly smarter than British country clothes. I only hope - no, I'm sure, my wife confirms it - I don't look like an Ivy League jock."

He does have some smarter weekend clothes, for those times "after 7pm, when parents have to come out of their chrysalis". There is a tartan, wool jacket from Harvie & Hudson, and ties from the Royal

Academy. Its shop sells a striking selection of artists' designs.

"When my casual clothes get shabby, I keep them for painting in," he insists. "Cleanliness is still the gentleman's great motto; a clean mind, clean body and clean clothes."

Neil Duckworth, 33, is managing director of Tag Heuer sports watches in the UK. During the week, he's "forced to wear tailored suits" but at weekends he reverts to



Neil Duckworth reverts to the sporty style at weekends

the sporty style which, he feels, reflects his true character.

"I play a lot of tennis," he says, "and I'm always getting changed in and out of sports gear, so I want weekend clothes which are hassle-free."

A lot come from Henry Cotton, a label which has the combination he likes of outdoor styling, ease and comfort, and good quality construction. They also, he says, have no ostentatious or overt labelling.

"I don't consider myself label-oriented," he explains, "but labels do help when it comes to shopping. And I do like brands which, like my own, have an authenticity to them."

Duckworth almost invariably chooses clothes in greens and blues, the colours at the centre of the Henry Cotton "country and coast" palette. But he livens his outfits with a dash of colour, like a red T-shirt, or a shirt from Sam Browne in Fulham, "a little more trendy" than most of his clothes.

Naturally, he switches his watch at weekends, from the stylish steel and gold Tag Heuer chronometer he wears during the week, to a more robust Series 3000 model, with a

brown leather strap "which looks more casual and trendy. A watch is part of a wardrobe, and should be businesslike or sporty to match the rest of your dress."

Weekend trousers tend to be jeans, from Emporio Armani, "because smart jeans like those will go with anything, from a trendy top, to a smart shirt and blazer for lunch." And with the same kind of versatility, footwear is Timberland boat shoes, in brown or blue.

For smarter weekend occasions, he has two jackets from Gieves & Hawkes. One is a classic blue blazer, the other, "a bit more of a blaze of colour", a sports jacket in a combination of yellow and green. In both cases, he prefers the classic style of Gieves & Hawkes. "My physique just seems to suit a more traditional cut," he says. "Or perhaps it's my age..." And beneath, he wears button-down shirts from Ralph Lauren, "not cheap, but really very nice material."

It's not a huge range of clothes - but, he says, that is deliberate. "I don't want an extensive wardrobe," he says. "It's the weekend. I don't want to have to think too much."

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## Simple and so chic

Lucia van der Post finds hats to turn the classiest heads



A hat in almond, ideal with a silk organza wrap

I first became aware of Patricia Underwood's hats in the summer of 1986. I remember it because I wanted one of her soft, floppy, "writing-rose" straw hats so badly I almost took out a bank loan. That tells you a lot about Patricia Underwood's hats. Firstly, that they are dangerously desirable and secondly that they cost wicked amounts of money.

She has, more than any other hat designer, developed a personal style that is instantly recognisable. The style revolves around the finest, softest of straw or crinoid which is crafted into shapes and lines of the utmost simplicity. She is to hats what Armani is to the unstructured jacket. But all that artless-looking simplicity requires dedication to the craft of hat-making.

There is no hint of excess or decoration on Underwood's hats. Understated, simple, effortlessly classy, they never shout louder than their wearer. Nobody... (well perhaps that's a bit sweeping. I've just remembered Dolly Parton)... almost nobody, could look vulgar in a Patricia Underwood hat. If that makes

them sound puritanically austere let me assure you that they are among the most flattering of hats.

Flattery is, in my view, a hat's most important function. The magic lies in the most subtle, most refined sense of line and proportion. Patricia Underwood's unadorned, hand-made, hand-finished hats rely on shape, colour and proportion, not fancy trims and artificial flowers, for their effect. Great skill goes into finding the line and the shape that give the face its most beguiling frame.

Her personal style is founded on simplicity - on the day I interviewed her she was wearing a navy-blue Jil Sander suit, navy-blue silk shirt, almost no make-up and one of her own fine black straw hats.

She evolved an approach to headwear as part of a woman's look and personal style rather than a distracting ornament. Her hats have a modern cerebral quality about them. These are hats to please the most up-to-date and liberated of women.

She believes that "Hats create amazing possibilities. One cannot be neutral in the presence of a hat. It sends a message. When I think about the



Classic Paglia straw

design of a hat, I consider what that message might be."

Just listen to Michael Malone, an American author, writing about the hats of his youth: "In the 1980s, to my delight, America rediscovered the romance and power and sexiness of hats. The brown hat of Indiana Jones said danger and adventure just the way Bogle's hat said danger and mystery years ago. I've long since lost (my) long-loved Yankees cap, and the cowboy hat with the red trim. But I remember how they made me feel. Like the movies, they had that magic to tell us who we are."

Patricia Underwood is full of wise advice on how to choose one. "Our grandmothers never needed advice on how to wear a hat. It was part of their daily lives which they understood instinctively."

"Today there is a new young generation which does not associate hats with church-going or eccentric aunts or grandmothers and they are discovering, and, in some cases, re-discovering, themselves in hats. The trick is to find the pleasing relationship between the width of the cheekbone and the top of the hat - this is a matter of visual judgment."

"A hat is part of a woman's style and therefore it must match the mood of her clothing - for this a full-length mirror is necessary."

"When choosing a hat to go with a printed fabric always choose it in the least prominent colour. If you look deep into a tweed or even a single-



Designer: Patricia Underwood

colour fabric there are nearly always other muted colours and shades. Choose one of those and the fabric will be enhanced."

Underwood adds: "Few faces are perfectly symmetrical. When putting on a hat, never wear it absolutely straight - a subtle, but I really mean subtle, little tilt will integrate it with the face."

Although her hats are simple, they do change and evolve. Some of her newest designs are photographed here.

For this summer there are baby bonnet shapes in finest crinoid. There is a subtle but simple almost 1920s-style cloche. There are finely-stitched suede berets and some of the newest combine knit and straw or crinoid - some have knitted crowns, others knitted brims. Prices range from £120 to £350.

Browns of west London stock Underwood's hats and are

offering 50 readers a chance to share high tea and hat-talk with Patricia on Tuesday May 17, from 6.30pm to 8.30pm. She will be discussing hats for the high summer season with Ascot particularly in mind. Tickets will go to the first 50 readers who send a cheque for £20 made out to The Teenage Trust (a charity that helps teenagers with cancer, registration number 1006964) to Janet Fischgrund of Browns Press Office, Browns, 23-27 South Molton Street, London W1.

Anyone wanting to know even more about hats might like to obtain *The Hat Book*, designed by Rodney Smith and Leslie Smolan (200, published only in the US) by Nan A. Talese, Doubleday, Carbone Smolan editions).

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April 20 1994



FOOD AND DRINK

# The excitement lives on in Soho

**B**ehind me, in the immaculately tended square, the plane trees swayed and the beds were full of newly-planted flowers. To the left stood a former private house and a garden with a mulberry tree under which Dickens wrote *A Tale of Two Cities*. Ahead lay three small streets teeming with restaurants.

The scene was reminiscent of an old quarter of Brussels, Paris or Strasbourg perhaps. But I was in Soho Square, central London - an area more usually well-known for its porn shops - and the restaurants of Greek, Irish and Dean Streets beckoned.

When I bought the lease on my Soho restaurant, I Escargot in 1980 - I could not afford the freehold (£150,000 for 5,500 sq ft) - there were two reasons. First, I was told that no one would come because it was difficult to park and, second, if I survived I would make no money as I would have to pay too much protection money to racketeers. I never met a racketeer and within a few years it became difficult to park all over central London.

Since, Soho has been down, up, down and is now on the up again. Such fluctuations are dangerous because they can produce the large rent rises - as one chef pointed out rents never go down - that closed many businesses in the late 1980s.

For the restaurateur, Soho is a good trading location. There is considerable lunch business, albeit much more price sensitive than it was in the 1980s, and in the evening the potential for three types of dinner bookings - pre and post-theatre and those who just want to

dine out in a lively area. Agencies for chefs and kitchen supply shops are there, too. And it is also a popular area if you just want a drink.

But Soho has changed. I have never seen the streets and pavements so clean. According to Alastair Little, who has run his own restaurant in Frith Street for nine years, Westminster Council provides a three rubbish collections a day. (This is not altogether good news for a restaurant critic because the number

## Nicholas Lander finds adventure in a central London area with a past

of rubbish sacks waiting for collection used to provide a reliable sign of just how busy a restaurant was.) There are still beggars and drunks on the streets but no more than in any other major European city.

Soho is no longer the ractonic island within London it used to be - the sole source of Mediterranean ingredients, raw and prepared, to which Elizabeth David, Jane Grigson and their readers hurried in the 1950s and 1960s. Hamburger Products and Bifulco's, the Italian butchers, have long gone and, according to fishmonger Dave Richards on Brewer Street, the wet fish business is not as good as it was. Yet Camisa and the Algerian Coffee Stores prosper on Old Compton Street and on Brewer Street. Randall and Auhin has been renovated and has broadened its stock.

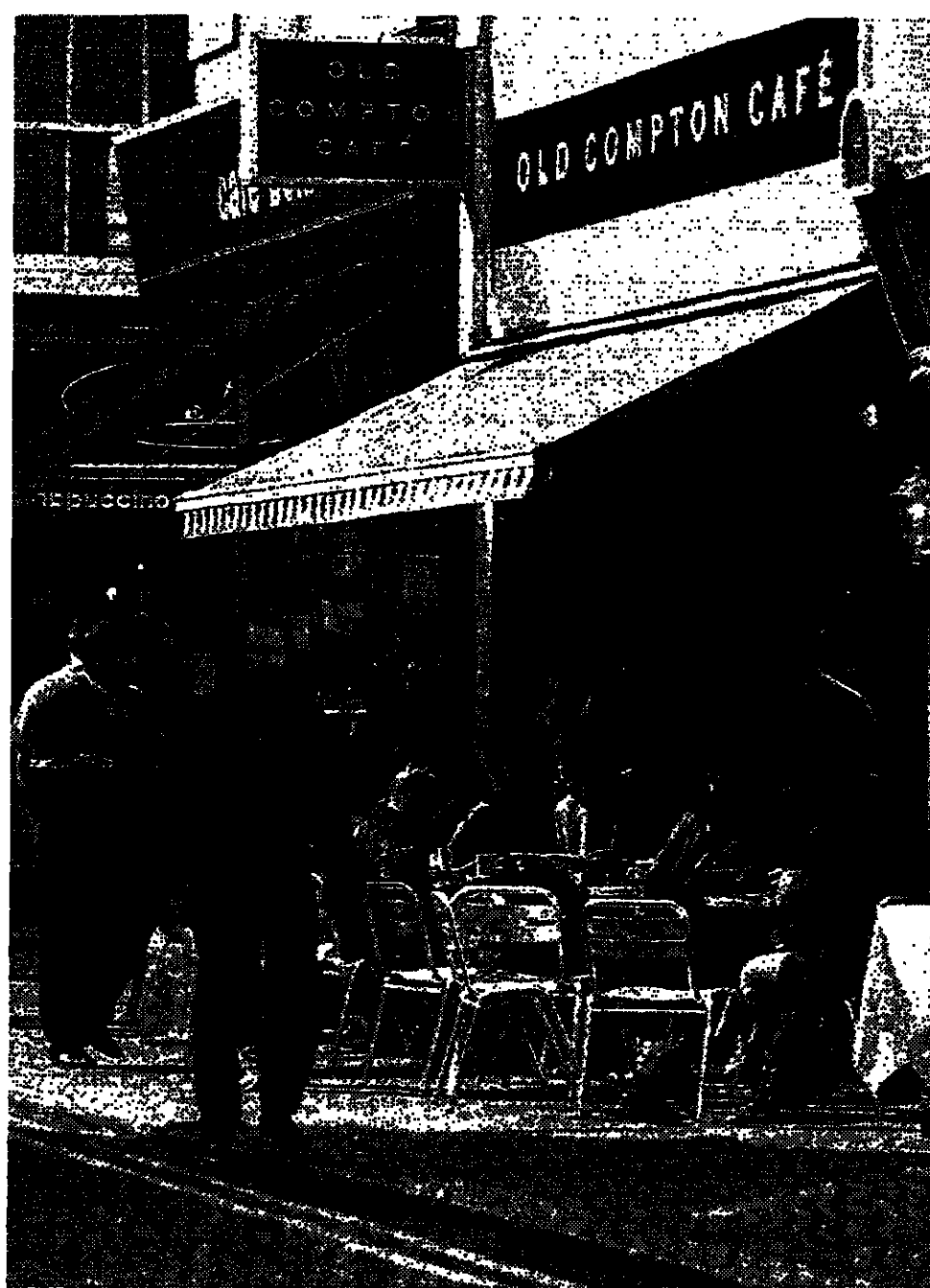
But now that fresh pasta, anchovies and peppers are

available in delicatessens and supermarkets around the country there is less reason for many people to make the trip into Soho. In other London boroughs and other parts of the country the standards of cooking have improved and chefs who learnt their craft in Soho now make their names elsewhere in the capital: Adam Robinson at the Brackenbury, Shepherd's Bush (081-748-0107), and Martin Lam, at Ransome's Dock, Battersea (061-223-1611).

But where Soho still impresses is in the diversity of its restaurants and the breadth of its appeal. For those who remember it from their youth there is the Gay Hussar (071-437-0873) with Elena Salvoni serving on the first floor as she did at Bianchi's in the 1950s, the redesigned Au Jardin des Gourmets (071-437-1818) and L'Epicure (071-437-2828) virtually unchanged from the 1960s when it was prime minister Harold Wilson's favourite restaurant.

For those still in their youth Old Compton Street beckons. The number of coffee houses and bars that this street seems capable of supporting is astonishing - Café Bohème, Café Nero, Café Beta, the Soho Brasserie, Bar Sol Una, Balhans and Village Soho as well as the long running Bar Italia in Frith Street. For those who can think, drink and listen to loud music The French House (071-437-2477), Dean Street, is a valuable addition.

Today, however, there is a new dimension to the gastronomic excitement long associated with Soho. Within 300 yards, along Frith Street, Alastair Little (071-734-5183), Anthony Worrall-Thompson (071-437-7444) and



Café society, Soho: a great trading location for restaurateurs

Bruno Loubet (Bistro Bruno 071-734-4545) sharpen their knives. Further down there are two good Thai restaurants, Bah Thai (071-437-8504) and Chiang Mai (071-437-7444). For these chefs Soho's cul-

nary attraction lies in its proximity to Chinatown. Little had just popped down there for some large red chillies which he would grill for a chilli salad. Loubet goes there regularly to buy pigs' ears and tails, black

beans, ducks' tongues, Chinese chives and spices.

Soho in the 1990s still provides food for the adventurous in a location with a frisson of excitement.

## Appetisers/Jancis Robinson

# Decent fizz for a tenner

**T**he rules for making sparkling wines vary from region to region but, typically,

stipulate a minimum time for ageing the wine on the lees. Those for champagne now insist on at least 15 months, but research shows that it takes at least 18 months for this process to have any perceptible impact on flavour by rounding out acidity and adding complexity.

It is almost impossible for the consumer to establish how long a bottle of non-vintage fizz has been aged on lees, but Laytons of London NW1 (071-383-5081) has managed to track down an unusually respectable champagne for £9.95 which, it claims, has benefited from four years in bottle.

Laytons Champagne Brut NV, available from Laytons and Andre Simon shops in London, certainly tastes mellow for reasons of age rather than added sugar. This is more than can be said for most champagne under a tenner.

□ □ □

Meanwhile, in my swoon over vintage madeira earlier this year, I forgot to mention that Bottoms Up - most unusually for a high street retailer - takes this exciting style of wine seriously.

The chain's exceptionally attractive list boasts no fewer than five examples, including the first-class Blandy's Bual 1964 at £85.

Probably best value is Rutherford & Miles' Malvasia solera 1983 at £39. The unit price might seem high, but these are powerful wines

which will last in an opened bottle for months and months.

□ □ □

London wine lovers have three important consumer wine fairs to choose from on Saturday, May 14. The organisers are taking advantage of the annual influx of wine producers to the London Wine Trade Fair the following week. Wine merchant La Vigneronne's Alsace Wine Fair takes place



between 11am and 6pm in the Sheffield Building of Imperial College, off Exhibition Road, London SW7. An entrance ticket costing £15 (from 071-589-6113) allows tasters 15 tastes and further tasting coupons are on sale.

The Great Australian Wine Tasting is from 11am until 5pm in the Old Horticultural Hall in Greycoat Street, London SW1. The £12 cost of tickets (from 071-925-0761) can be redeemed on orders of £75 or more taken at the fair and there are no restrictions on grog intake. At the end of the LWTB week, some winemakers will be staying on for the Oddbins Wine Fair at the Park Lane Hotel on May 13, 14 and 15. Charity tickets are £10 from any Oddbins branch.

Philippa Davenport makes an alternative to pudding for an Easter lunch and Nicholas Lander spends an afternoon making chocolate truffles

# Taking the eggs out of Easter

**O**n Easter day in Greece, the usual "good morning" greeting is replaced by "Christ is risen" as children crack their hard-boiled eggs against those of their companions in a spring-time version of conkers.

In Britain, eggs tend to be soft-boiled for serving at the Easter breakfast table. For years, though, I had a childish horror of fresh eggs cooked lightly. Growing up at a time of rationing when powdered eggs were the norm, I was repelled by the sticky yolks and semi-jellied whites of soft-boiled eggs.

One memorable Easter, I went to a tea party at the house of some friends where, with heads afloat, I saw the table was laid with an egg cup and spoon at every setting. "A special treat," our hostess smiled as we sat down and the eggs were brought in. My misery deepened when I realised there was no bread and butter on hand to blot up the worst excesses of egg liquefaction.

I had no choice but to crack into the beastly thing. I raised my spoon and bashed the shell ferociously, hoping to spill some of its contents. What blessed relief to find the egg was not really an egg at all. It had been blown out and refilled with melted chocolate.

Although it was a harmless, sheep-in-wolf's-clothing type of

## 'I raised my spoon and bashed the shell ferociously'

prank, it was the sort of surprise I prefer to live without. In fact, I have been nervous of Easter eggs ever since - unless they are made by Fabergé. I offer you, instead, an undigested and egg-less chocolate confection.

**CHOCOLATE & PRUNE PETITS FOURS**  
(makes about 16)  
These are fiddly to make and not worth attempting by the

impatient or those in a hurry. But they are unusual. One or two per person makes an attractive alternative to pudding at the end of a fine meal, served with coffee and perhaps brandy or port.

To mould the chocolate shells, you will need some small fluted paper cases of the sort sold by kitchenware shops and some hardware stores for making mini-muffins, chocolate and other confectionery.

For the filling: 6oz big squishy prunes; 1½oz sultanas; 1½oz currents; 3 fl oz or so each of port and water; 1 tlb crème fraîche or clotted cream; a little cocoa powder.

Put the dried fruits and liquids into a flame-proof casserole with a heavy, well-fitting lid. Bring very slowly to simmering point. Cover and cook over the lowest possible flame for one hour, stirring occasionally, until the fruit is very tender and has absorbed most of the liquid.

Set aside, still covered, for



1½ hours until cold. Then, stone the prunes, whizz all the fruits and their juices to a rich dark purée, and refrigerate. Dice the chocolate and melt it with one teaspoon of warm water in a bowl placed over a pan of barely-simmering water. Away from the heat, beat in the butter.

Using a teaspoon, line the paper cases with chocolate, smoothing it across the base and up the sides right to the top. Spread it thickly: a good ratio of chocolate to filling makes for good eating, and stout walls are less fragile and easier to manoeuvre than thin ones. Chill on a plate.

When the chocolate shells have set solid, fill and unmould them. To guard against the chocolate softening messily in the warmth of the kitchen or the heat of your hands, take the shells out of the refrigerator just one at a time, work on each one quickly, and put it back in the fridge before starting on the next. Do not overdo the filling: two-thirds full is better than brimfull.

Spread a small spoonful of the rich, dark prune purée across the base, add a snowy covering of cream, and shake a pinch of cocoa powder over the top. Strip off the paper carefully, loosening it round the rim and peeling it downwards.

Keep the petits fours in the fridge until you are ready to serve them, and hand them round on the chilled plate on which they have been stored.

■ Green & Black's organic chocolate, made with 70 per cent cocoa solids, dark and agreeably un-sweet, was an instant hit when launched a few years ago. But it was difficult to buy unless you lived near a health food shop. Now, it has reached the supermarkets: it is available at Sainsbury's, with Waitrose and Tesco to follow soon.

Just in time for Easter, Green & Black is bringing out another chocolate that looks set for success. Again made with 70 per cent cocoa solids, this one is called Maya Gold and is flavoured with orange, vanilla and allspice.

Maya Gold is, moreover, the first product to go on sale bearing not only the Soil Association symbol but also the mark of the Fairtrade Foundation in recognition of Green & Black's long-term trading commitment to the Maya Indian cocoa growers of Belize.

Launch stockists are Sainsbury's, Tesco, the Co-op and Asda. A 100g bar costs £1.95.

PD

# Truffles to covet

**I**t is fortunately very rare for this column to report a new type of injury. But it is with equal amounts of sadness and pleasure that I have to draw readers' attention to "truffle elbow".

This self-inflicted malaise has been creeping up on Sara Jayne's right elbow for 12 years, ever since she made her first chocolate truffles for a dinner party.

Since then her love affair with the chocolate truffle has grown, as has her expertise with the chocolatier's most difficult task - tempering the chocolate. But the excitement, and challenge, of making delicious hand-rolled truffles, with flavours such as lapsang souchong, a factory and with two staff was doing well until January 1991, when the recession struck. With only two orders in one month, she decided to bring the business back to her small domestic kitchen in Clapham, south London.

Jayne had been shown by a master chocolatier how a top-of-the-range microwave could melt the chocolate to the right temperature in seconds - but this was not for her. Instead, everything was done in spotless stainless steel pans, the chocolate melted over a giant heavy-bottomed roasting pan that acts as a bain marie.

It is the subsequent enrobing process which Jayne believes has brought on truffle elbow. Her recipe below gives the "easy" option of coating the truffles in cocoa powder. But for the finest truffles this will not do.

More couverture chocolate has to be melted to exactly the right temperature (31°C). Then, grasping a dipping fork gently, lift the truffles and dip them in the liquid chocolate to enrobe them, avoiding the appearance of small air bubbles on the chocolate's surface. This continuous dipping process is the cause of truffle elbow.

Jayne's criteria for making the finest chocolate truffles included the best ingredients (Cacao Barry couverture chocolate from Ritter, 081-908-7177 or Valrhona, available at many delicatessens) and the best quality piping bags and dipping forks from Keylink, Rotham, (0708-650206).

Then in order of importance came practice and patience - it

takes her an hour to box and ribbon five 1lb packs of truffles and she has recently ordered her 200,000th petit four case.

## SARA JAYNE'S BASIC CHOCOLATE TRUFFLE

Ingredients: 1lb bitter couverture chocolate; ½ pt whipping cream, preferably Devon; cocoa powder to dust or couverture chocolate to enrobe. Break the chocolate into tiny pieces and put into a large bowl over hot water (off the flame). Cover tightly, stirring occasionally until nearly melted.

In a saucepan bring the cream to the boil and then pour into the melted chocolate and blend thoroughly. Leave to cool at room temperature which will take a few hours.

Using an electric hand mixer, whisk the cream and chocolate mixture until the consistency of softly whipped cream - not too hard or it sets.

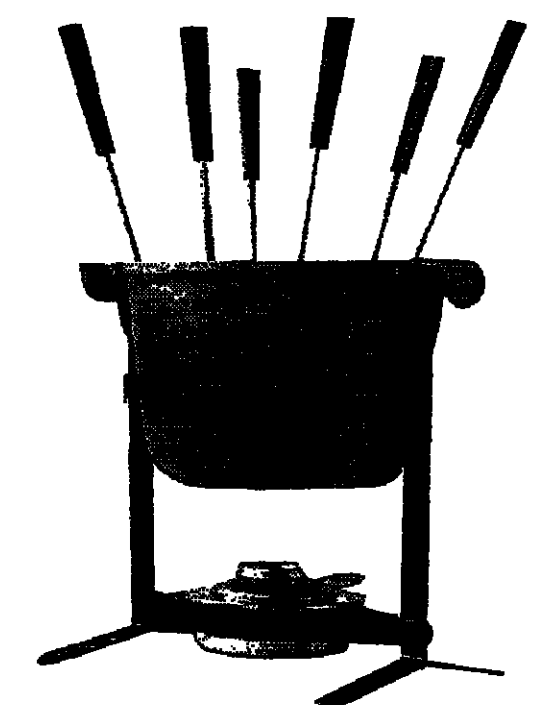
Spoon this mixture into a 14in piping bag with a half inch nozzle and pipe small amounts on to a tray of waxed paper or cling film. Refrigerate for about one hour.

Sieve about 8 oz cocoa powder into a large bowl. Ease the truffles one at a time off the baking sheet and roll in the cocoa powder, dropping them gently into the cocoa powder. Keep refrigerated.

■ Sara Jayne's truffles: £17 per lb (inc post and packing) from 517 Old York Road, London SW18 1TS. Tel: 081-874-5500.

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LE CREUSET

# These are the eggs to eat at Easter

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the eggs that it contains are almost certainly battery produced. Do not be taken in by quaint illustrations or misleading phrases like 'Country Fresh', 'Farm Fresh' and 'Naturally Fresh'. They are meaningless and are used to endow rustic charm to a process that is neither rustic, nor charming. If you would like to receive a copy of our information leaflet, simply write to us, on a postcard please, at the address given below. It's time the chicken came before the egg.



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## TRAVEL

# A rare foray into Burma's far north

Victor Mallet visited Kachin State, an area previously closed to foreigners by the military junta

We could tell they had not seen many foreigners by the way the babies puckered their faces and howled when they glimpsed our white and somewhat hairy features.

Children whimpered and hid behind their mothers. Young women giggled and screamed, and, with an innocence inconceivable elsewhere in south-east Asia, dragged the white men off to be photographed alongside them and their friends. They made us bend our legs so as not to appear absurdly tall in the pictures.

Kachin State, in the mountainous far north of Burma, has been closed to foreigners for 32 years by the military junta because of the war between the central government and the guerrillas of the Kachin Independence Army.

Now the fighting has stopped and the two sides have signed a ceasefire. The junta decided to allow a group of journalists to fly to Myitkyna, the state capital, and visit

the remote surrounding area sandwiched between China and India on the upper reaches of the Irrawaddy river. It seems we were lucky. Myitkyna - pronounced *Mee-Chee-Na* - is now said to be off limits again.

We were lucky, too, to catch the end of the *manau* festival, an animist harvest ceremony of dancing which brings together thousands of merry-makers from the six branches of the Kachin race. It was banned until last year as a dangerous opportunity for the expression of Kachin nationalism.

Under a structure much like a large maypole, to the sound of amplified chanting and the boom of a great drum hanging from a bamboo frame, the Kachin danced the conga-style *sui-manau* to ensure

prosperity. Leading the dance were men wearing swords, Chinese silk robes of red and gold, and hats made of hornbill heads.

The festival included a beauty contest, a Burmese pop concert, a fun-fair for children and much drinking of rice wine. It was mainly at the sports-ground, where the fair was held, that we were seized by young women as props for Kachin snapshots.

The elders, on the other hand, know all about foreigners, having fought for the British and Americans against the Japanese during the second world war.

Christian missionaries from the west also loom large in the history of the Kachin. "We were semi-Netherland, we were mountain people,

not civilised," said Zau Nan, an enthusiastic minister at the Kachin Baptist Church in Myitkyna. "We worshipped mountains and rivers and spirits. But by the grace of God, messengers from God came from Sweden and Germany."

Asked about the festival, he described with gusto the various kinds of *manau*. But, steadfast Christian that he was, he refused to accept they were animist rituals designed to appease the spirits.

Christianity is not the only purveyor of foreign influence in Kachin state. Madonna - the pop star, not the mother of Jesus - is portrayed naked but for a few jewels on her nipples in a colour poster adorning the Pops Hotel's restaurant above the railway station.

Sitting at a tea shop in Myitkyna's main street, looking at passers-by on their bicycles, horse-drawn carts and army trucks, we heard Pink Floyd's *The Wall* from the teashop sound system. The local cinema, an upper room of somebody's house boasting a video machine and filled with clouds of charcoal smoke, was playing *Indiana Jones and the Temple of Doom*, and *A Bridge Too Far*.

Burma's generals, citing the danger of "neo-colonialist plots", still try to keep foreign influences under control. We met a local official in Myitkyna who, we thought, might help us arrange interviews, but he was given the cold shoulder by the all-powerful military intelligence apparatus. "The MI man is very dis-

couraging," the official told us. "He said: 'You must not help them talk to anyone', and slammed the phone down." This was odd: it was the government which had arranged the trip in the first place.

The generals do have some friends, even foreign friends. As we waited in Rangoon for our flight to Kachin State, we were accosted by a wild-eyed American in the departure lounge. He looked like the kind of person one tries to avoid in Californian fast-food outlets for fear they will suddenly produce a lethal weapon.

He was wearing a *longyi*, the traditional Burmese sarong, and he rounded on us - as representatives of the western media - for the supposedly unfair treatment meted out

to Burma's military rulers in the international press. I could almost have sympathised, but at that moment a resident of Myitkyna to whom we had been chatting idly about life in Kachin State was hauled away for 30 minutes of interrogation for having "spoken to tourists".

In the countryside north of Myitkyna, such unpleasantness was all but forgotten. This is a land famed for its jade mines, where much of the forest is still uncut, and where villagers still talk of catching the few remaining tigers and carrying them over the hills to sell to Chinese medicine-makers.

The confluence of two rivers - one called the "Useful", because it is navigable, the other the "Useless" - which join to form the Irrawaddy, is a popular site for gold panners and a picnic spot for Burmese tourists. The ceasefire has made it accessible. Foreigners, however, are rarely seen. We heard giggles and screams; it was time to pose for more photographs.

## Survival is a dogfight for the wild bunch

Wild dogs in Africa may become rarer than the rhino. Michael J Woods tracked them down

There was a dull pock, like the sound of a tennis ball bouncing lightly on grass, as the compressed air-gun expelled its tranquilliser dart. The African wild dog sprang to its feet as if it had been stung. With a yelp it dashed off, a red woolen tassel dangling from the syringe in its shoulder.

"It won't go far," said Dr Gus Mills, and we sat in his truck for the 10 minutes needed for the drug to work. It took a little time to find the sleeping dog in the thick bush, as its black, white and tan blotched coat blended remarkably well with the broken shadows cast on the grey-brown soil.

Once located, though, a radio collar was swiftly fitted, a sample of blood taken and the antiseptic injected. In less than a minute the dog was on its feet and had gone to join the rest of Myitami pack, which now had two dogs carrying radio transmitters.

Gus Mills is a scientist who works in Kruger national park, a long rectangular area about the size of Wales on the east-ern boundary of South Africa. He has been researching African wild dogs, also known as Cape hunting dogs, for some years.

His subjects are range animals with noticeably large rounded ears, three-coloured coats and a height of a little over 2ft.

They are efficient hunters, running as a pack and killing at dawn and dusk if they can, and lying-up in shade during the heat of the day. Only for the short breeding period are they tied to a den; for the rest of the year they are nomadic and appear to need a large territory to survive.

There are only about 360 wild dogs in Kruger, the lion and hyena populations both top 2,000 in the same area. All is not well with wild dogs. They have become very scarce in Africa - rarer, some say, than the rhino, which makes them Africa's most threatened large carnivore.

Historically, their undesired reputation has led to persecution by farmers. Until 20 years ago, they were even shot in some national parks. There are still farmers who will not tolerate dogs and consider them vermin, so that packs straying from conservation areas are at risk.

Only big stretches of protected wilderness will suffice to provide wild dogs with enough space to survive. The national parks in the north of Botswana and Zimbabwe and in the south of Tanzania fulfil these requirements, and contain reasonable numbers of dogs. But these very extensive areas are largely inaccessible by roads and, for the discerning visitor, for whom a glimpse of a dog is more exciting than any of the big five (lion, leopard, elephant, rhino, buffalo), spotting one is extremely difficult.

Things seem to be slightly easier in Kruger. Finding them by radio is the only way that researchers such as Gus Mills can ensure that packs are monitored on a regular basis, and dogs are often seen by visitors to the park. In fact, Gus was able to use tourist sightings of wild dogs to obtain a measure of the number of animals in the park.

every usable photograph of a dog, he soon had pictures of almost every animal. The dog population in Kruger is one of the densest so far recorded in Africa, and the extensive network of roads is frequently used by packs on the move.

"Morning and evening are the best times to look for dogs," Gus told me. "That is when they hunt, for they rest in the heat of the day and then their low profile and disruptive coloration make them almost impossible to spot."

Kruger has much to offer in addition to wild dogs. I came across lions and elephants in abundance along with rhino and giraffes. Many of the smaller animals, so often missed elsewhere, are visible here, too. I found a dwarf mongoose den by the roadside and was able to watch the lightening activities of its delightful inhabitants as they foraged through the undergrowth and then rocketed across open areas for fear of raptors.

On two occasions I had to wait for leopard tortoises to cross the track and once swerved to avoid a chameleon, a bright green against the khaki sand, rocking its way so very slowly over the rocks.

But it was wild dogs I wanted to see, and the more I questioned Gus Mills, the more mysteries I encountered. Packs, for instance, fluctuate markedly in size, and Kruger's Skukuza pack, which numbered 40 dogs in 1988, now consists of just three males.

Dogs disappear in large numbers for no apparent reason, and bodies are rarely found. This was the reason for putting a collar on a second animal of the Myitami pack, as an insurance against the death or disappearance of the dog already collared.

In Kruger, a wild dog's expectation of life is unusually short - rarely beyond four years (a hyena's is about 15). Gus has heard several accounts of lions killing both adults and pups, and would like to investigate more fully the role lions play in the lives of dogs.

Fortunately, international awareness is growing. The Kruger wild dog study is funded by the National Parks Board and the independent Stuart Bromfield Wild Dog Fund of the Endangered Wildlife Trust. This trust also finances other wild dog projects in South Africa, along with the newly-established Licaone Fund in Italy.

Meanwhile, the International Union for the Conservation of Nature has published an action plan for African wild dogs, so there is considerable hope for the future.

I spent a week in Kruger, and it wasn't until my last day that I found dogs for myself. The sun was sinking and, briefly, painting the bush a golden green. The insects were tuning up for their evening chorus and the cacophony of guinea fowl was at its loudest. There was a sudden snort from an impala ram in the undergrowth beside the vehicle and he quickly made himself scarce.

Then I was aware that, coming towards me along the road ahead, were a dozen lean dark silhouettes with familiar big round ears. The long legs carrying those lithe bodies

touching the ground so lightly that the animals almost seemed to float along in a distance-devouring trot. I stopped quickly and the grinning dogs went by. The sun lit them for a second, then they wheeled and melted into the trees - a moment of pure magic.

Michael Woods was a guest of the South African Tourism Board (London tel: 081-944-9030) and Kruger national park.

He flew from Bristol to Amsterdam with KLM and then caught its long-haul flight to Johannesburg. KLM runs a similar service from 16 UK regional airports, thus avoiding the often time-consuming journey to London and the two-hour check-in.



Collaring a wild dog in South Africa's Kruger national park

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## SPORT

Yachting/Keith Wheatley

# Around the world in 80, 70, 60 days?

**J**oked Robin Knox-Johnston: "Weather forecasts are a very perishable commodity."

Those people anxiously scanning the horizon during the Easter holiday might well agree. Unlike most holiday-makers, Knox-Johnston had his fingers crossed for a south-westerly gale. He was speaking by radio from the deck of ENZA New Zealand, while it was still 1,000 miles away from Brest and the record for a circumnavigation under sail.

Knox-Johnston was predicting that she would clip four days off the existing 79-day record, and the voyage was completed yesterday in 74 days, 22 hours and 17 minutes. Bruno Peyron, the French multi-hull star, set the 79-day record a year ago.

ENZA is the biggest, most powerful catamaran afloat. To achieve such a remarkable voyage her eight-man crew, led by Knox-Johnston and co-skipper Peter Blake, have sailed her round Cape Horn and Good Hope at average speeds close to those of a cross-channel car ferry.

"We're pretty but all pretty tired," reported Blake, skipper of the winning Steinhilber II in the Whitbread race of 1989-90. "Even the youngest and strongest are puffing and pant-

ing when they handle sails. It's the lack of aerobic fitness." Our longest walk is 20ft to the loo."

Blake spent nearly two weeks confined to his bunk after a serious back injury in the first month of the trip. Convalescing in such surroundings makes one think warmly of crumbling inner-city out-patient departments.

"I fell off on to the edge of the chart table," explained Blake, a broad man weighing around 200lb. "The boat came off the front of a big sea at an angle of 45 degrees and instantly went from 28 knots to stationary. I was just coming out of the hatch and just fell backwards."

He broke a couple of ribs and several muscles tore away from the pelvis. Initially kidney damage was suspected and medics consulted by high fre-

*Around Cape Horn, the fair weather for ENZA ran out. She was hove-to in a storm for nearly two days*

quency radio were talking about a helicopter evacuation via Tasmania. "Fortunately, Peter's a big strong lad," said Knox-Johnston, with the sympathy of Bluebeard.

On the outward leg of the journey ENZA had some of the most exciting sailing one can imagine. In the first 16 days after leaving Brest she averaged 403 miles a day meaning, in practice, well over 20 knots for much of the time.

Crew-member David Alan Williams, a naval architect who designed the radical trimaran Steinhilber I for Blake in the mid-1980s, gives the lan-

dubber a telling analogy for helming ENZA at high speed during darkness.

"Drive down the nearest motorway at night, when it is raining hard, with the car at maximum speed," he advised. "Turn off the headlights and turn sharp left across the nearest ploughed field."

He was not able to think of a way to recreate the effect of a lookout in the bows, calling out drift-ice. Collisions are a sensitive subject aboard ENZA. A year ago the catamaran's first record attempt was abandoned after it hit a submerged object. In early 1993

most observers still doubted whether the Jules Verne Trophy was achievable. To sail around the world non-stop in 80 days or less seemed unimaginable.

The reality is now clear. But the sailors still need luck. At Cape Horn, the fair weather for ENZA ran out. She was hove-to in the middle of a severe storm for nearly two days. Blake described it as the worst sea-state he had seen in 500,000 miles and 20 years of ocean-racing.

"In the Drake Passage off Tierra del Fuego we had 60ft seas on the beam and all we could do was sit there and roll. It's not too good for record-breaking," he observed.

For Knox-Johnston, 55, the circumnavigation has brought back a few memories and provided a sharp comparison. In 1969, as a 30-year-old mer-

chant navy officer, he won the solo Round the World race in his wooden ketch Suhaili. She was built in Bombay by gentle Indian shipwrights using adzes. ENZA came out of an aircraft factory, constructed largely of carbon-fibre.

"To put the speeds into some sort of perspective, 25 years ago I averaged four knots around the world," said Knox-Johnston. "ENZA has been averaging more than four times that."

On just the sixth day after leaving Brest on the Atlantic coast of France, ENZA logged an extraordinary 520.9 miles in a 24-hour run while reaching off Sierra Leone. It is claimed as a world record, but has yet to be ratified.

The question everyone is asking is just how fast can a sailing boat circle the globe? When the Trophée Jules Verne (for breaking 80 days) was first proposed in France it was ridiculed as unattainable.

"I think 70 days is quite feasible but you'd need a lot of luck with the weather," said the naturally-cautious Blake.

Meanwhile, in France, the initial record-breaker Bruno Peyron is working on design and sponsorship for a 125ft, schooner-rigged catamaran capable of 45 knots. Sixty days around the world is the target in his sights.

Golf/Tim Dickson

## Forget the Masters, this is serious

**T**here is only one serious golf tournament next week - and it is not at Augusta.

Several hours before Greg Norman and others tee off on Thursday for the 1994 US Masters, 640 golfers, mainly British, will assemble at Royal Cinque Ports (Deal) and Royal St George's (Sandwich) in Kent for the Halford Hewitt Cup, an annual contest between old boys of some of Britain's best-known public schools.

The unique character of the event is hard to pin down. Suffice it to say that it is a combination (among other things) of that peculiarly British affection for the odd master, the glorious unpredictability of the (peculiarly British) weather, the unfamiliar pressures in this highly individualistic sport of playing for a team, and the chance to renew acquaintances from year to year.

The "Hewitt", which dates back to 1924, probably owes at least as much to the inspiration of a Cambridge golf and soccer blue called G L "Suse" Mellin as it does to Halford W. Hewitt who presented the Cup. According to Peter Ryder, who chronicled the first 60 years of the competition in his book *A Festival of Foursomes*, "What is important in thinking of the tournament is that the name of one should not be remembered without that of the other."

In a foreword to Ryder's book the late Gerald Micklem (one of England's finest amateur golfers) wrote that the Hewitt was really a series of little tournaments within a big one.

For many of the 64 participating schools getting through one round - or beating an old foe - is the limit of their ambition. Reaching the last 16 on Saturday morning when every one moves to Deal - the true "home" of the Hewitt - is another incentive for those drawn to play their first two rounds at Sandwich.

Part of the unpredictability lies in the draw, which always takes place at the East India Club in London in January and is unseeded.

This means strong teams often clash early on - Eton and Harrow being a case in point this time - while others have a supposedly "easier" ride.

My own school, Uppingham, appears to be in that happy position this year, judging by a complex table compiled by our organiser and showing the number of quarter-final and semi-final appearances over the last 10 years of all the teams in each section of the draw.

The official "form guide", however, is the so-called Andersen scale - named after a veteran Malvern campaigner - which ranks schools on the basis of both their overall record and their recent record.

What stands out is the sheer consistency of those at the top: the best between 1984 and 1993 (Malvern, Shrewsbury, Tonbridge, Harrow, Watson's and Eton) all feature in the top 10.

Book review/Derek Lawrenson

## Just Himself

**C**hris O'Connor neither won a major championship nor assembled a good Ryder Cup record. So if crude statistics are the measure then the Irishman will struggle for a place in history as those who witnessed his genius diminish with the years.

Thankfully, there is not yet a shortage of such witnesses to counterbalance the statistical distortions, and they have queued up to contribute to a diligently researched biography of the great man as he approaches his 70th year.

It is entitled *Himself* (Corgi, £16.99), the name given to O'Connor many years ago by his supporters in recognition of the fact that he never tried to be anyone else. Edited by Seamus Smith, sports editor of the *Irish Press* newspaper, the book pieces together O'Connor's life from chapters written by various golf journalists and fellow professionals.

Like Ballesteros, some of O'Connor's best moments in his career came at Lytham. In his first three Opens over the Lancashire links he never finished outside the top six, and last year, aged 68, he still finished tied for 8th in the British Seniors Championship.

His last Open appearance also came at Lytham in 1979, which marked the first of Bal-

"all comers". The standard of golf reflects the mixed composition of many teams - from players who have represented their countries to the club hackers sometimes required to make up numbers. Reputations, though, count for little when the wind blows and nerves start to jangle.

There are few more stomach-cramping experiences than the dawning realisation that it is "your" match which will be the decider, that the rest of the team and its camp followers are gathering around the 19th green to watch the action, and that you may have a fluke put or less to take it down the 19th.

And what a 19th (by which I do not mean the clubhouse). Played for the first time the first at Deal seems a relatively straightforward par four - a drive and a flick for longer hitters.

Played for the second time - perhaps in front of scores of other competitors relaxing on the clubhouse verandah - the burn across the front of the

*'If I'd known it was foursomes, I'd never have come'*

green suddenly becomes a daunting challenge even with wedge in hand.

At least one school has lost after two of its five pairs won their matches by handsome margins in the "country", whereas the other three all lost after extra holes.

Ryder's book sums it up by quoting the verdict of one critic: "The effect that the Hewitt would be the greatest fun in the world were it not for the golf. Another has a sudden North of England, Scottish or West Country competitor remarking: 'If I'd known it was foursomes, I'd never have come'."

Best of all perhaps is the "telegram story" of 1949 which sounded a still relevant warning for successful schools who take their opponents too lightly. It involves the late Leonard Crawley, a golf writer on the *Daily Telegraph* and pillar of the formidably strong Harrow side, who failed to arrive in time for a first round match at Deal.

His hapless captain later in the day received a telegram from the victorious side which read simply: "Tell Crawley bring his pen but leave clubs behind."

\* Published by Public Schools Golfing Society, 1984, but now out of print. A limited edition of *The Halford Hewitt: a record of results* compiled by Sam Smole is now available from Jeremy Lowe, hon secretary of PGSG, Flushing House, Church Road, Great Bookham, Surrey, KT23 3JT, or fax: 071-837-8704. Price £75, or £235 for the luxury goatskin version.



From left: Petchey, at the start of his Davis Cup career; Bates, thinking of doubles play; and Wilkinson, impressive at Wimbledon last year

The state of British tennis/John Barrett

## Tracking the next generation

**A**t a time when gloom has descended on those who follow tennis in Britain, with last week's humiliating Davis Cup defeat at the hands of lowly Portugal, it may seem surprising to suggest that the much-maligned Lawn Tennis Association, after years of stagnation, is at last getting it right. But that is what the facts indicate, in spite of the resignation of captain Tony Pickard, who has had more success with Stefan Edberg than with British teams.

The role of the LTA is to encourage the game's growth at grass roots level, to build facilities that will allow that growth to take place, to establish a competitive structure for counties, clubs and individuals, and to provide training and guidance for the best of our players so that they may fulfil their potential.

During the post-war period those objectives were shamefully neglected. For 40 years club and county tennis continued as an elitist sport with little attempt by the LTA to broaden its appeal. A few ambitious clubs did replace the

wooden clubhouses that had been constructed in the 1920s and 1930s with more substantial premises, but most were reluctant to modernise, worried that higher annual subscriptions would lose members. Golf and squash had no such inhibitions.

Meanwhile the rest of Europe was building for the future. The French, for example, first under Marcel Bernard and then for 20 years under Philippe Chatrier, transformed the fortunes of both the French open and the national club infrastructure, based on its regional leagues.

It was always a weakness of the LTA that its chairman served for only one year. There was no continuity of leadership and the well-intentioned, but inadequate, amateur officials were more concerned about planning their paths to the summit than in revitalising the game. The extension to a three-year term in 1982, when the post of chairman was changed to president, was an improvement but it was not until the appointment of a full-time executive director in 1986 that a truly professional approach could begin.

Ian Peacock has held that post for seven years and has presided over a growth in LTA registered membership from 16,000 to 52,000 - and an increase in the number of tournaments from 500 to 900.

He has seen the number of multi-court indoor centres built under the Indoor Tennis Initiative grow from zero to 39.

Two other key centres, one in Wales the other in the home

year programme of facility developments, totalling 163m, is under way. In Nottingham, Edinburgh and Bournemouth, construction has already begun on large tournament sites where the court surface will be an American version of clay.

Two other key centres, one in Wales the other in the home

*'The LTA's training department looks professional. The fact that the men have lost to Portugal merely confirms their known inadequacy on clay'*

with 11 more in various stages of development. He has encouraged private clubs to build indoor courts and reports investment of 5.5m in projects at various stages of completion. County centres have already been built in Derbyshire, Norfolk and Buckinghamshire and eight more are about to come on stream.

Thanks largely to the increasing revenues from Wimbledon, which passes its surplus to the LTA each year (£16.4m in 1993), a bold five-

year programme of facility developments, totalling 163m, is under way. In Nottingham, Edinburgh and Bournemouth, construction has already begun on large tournament sites where the court surface will be an American version of clay.

Two other key centres, one in Wales the other in the home

year programme of facility developments, totalling 163m, is under way. In Nottingham, Edinburgh and Bournemouth, construction has already begun on large tournament sites where the court surface will be an American version of clay.

the same playing characteristics.

Clubs found their upkeep too costly and were encouraged by the LTA to replace shale with acrylic hard courts, the surface used by more and more international tournaments. Thus a generation of players grew up with no chance to develop clay court skills at home.

As Richard Lewis, director of national training, admits: "When we tried to address that problem five years ago by constructing European clay courts in key areas we ignored what was an altogether more appropriate surface for our climate - American clay with its year-round usage against the seven months of European clay and much lower maintenance costs."

Now clubs are being encouraged to lay the American surface with grants of £5,000 per court for a minimum of two, provided they also commit to a junior development programme. It is a welcome, if belated, move.

Lewis has sensibly surrounded himself with highly qualified coaches and captains. Ann Jones looks after the Federation Cup women, and Mark

Cox heads up the Rover scheme for young hopefuls and is assisted by former US Wightman Cup player Sharon Walsh.

Another former highly ranked American, Janet Newberry, started this week as the new women's national training manager, and will attempt to bring the same belief to her players that Bill Knight has instilled so impressively among the men.

Former Russian No 1, Olga Morozova, and Ian Barclay, Pat Cash's coach, look after the 12-16 age group at the Rover School at Bisham Abbey. Barclay also contributes to the education of coaches.

With Dr Michael Turner appointed as the new medical officer, alongside nutritionist Dawn Thorpe and trainer Steve Green, the former Olympic sprinter, there is a thoroughly professional look about the LTA's training department.

The fact that the men have just lost to Portugal merely confirms their known inadequacy on clay. On hard courts or grass it is a different story. Mark Petchey, who lost both singles in Portugal, has just beaten World No 2 Michael Stich and was within a whisker of beating Andre Agassi in Key Biscayne. At Wimbledon last year, Andrew Foster, Chris Wilkinson and Chris Bailey all performed to their full potential.

The next generation will be better prepared. At this very moment 26 boys and girls aged between 12 and 15 are at the Bruguera club in Spain where, for three weeks, they will learn the basics of competing on European clay. It is a skill few Britons have ever mastered. Fred Perry is still the only British man ever to have won the French Open - and that was 56 years ago.

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## BOOKS

# Brittan stakes a claim on glory

Conservatives may not be too happy with this European manifesto, writes Malcolm Rutherford

It may seem a rum idea, especially after the events of the past couple of weeks, that the European Union should choose a Brit as the next president of the European Commission. Yet Sir Leon Brittan, the former cabinet minister and a long-standing vice-president of the Commission, is strongly in the running for the post. This book is his manifesto.

Not all members of the British Conservative Party will like it. Sir Leon is in favour of moving towards a European monetary union as soon as possible. He believes that it will be hard to maintain the European single market without a single European currency. He defends the objectives of the common agricultural policy. And not only does he accept the Treaty of Maastricht pretty well *en bloc*; he thinks it should be built on.

Whereas UK Prime Minister John Major once said that Britain should be at the heart of Europe, Sir Leon comes close to arguing that an enlarged European Union is Europe. He does not say, but clearly implies, that the development will continue with or without the full

participation of the British.

A natural Tory reaction to the book might be that Sir Leon has "gone native", though in truth he was pretty native to start with. None of that, however, should prevent the British government from fully supporting his candidacy. It must be better for Britain to have someone they know and understand in a place that matters.

Anyway, it is not primarily Westminster and Whitehall at which the book is aimed. The main target is Paris and some of the smaller European capitals. For there can be no question of the next president of the commission being a Frenchman since the outgoing president is Jacques Delors. Even the French would not expect to hold the post twice in a row.

The Germans have seldom been seriously interested in putting up a

candidate of their own, and the Italians have retreated into their internal affairs.

So if the presidency is to go to a big country, Britain is in with a chance despite the fact that there was a British president - the now Lord Jenkins of Hillhead - from 1977-81. With French support and the sympathy of the smaller countries, Sir Leon could be there.

On the evidence of *The Europe We Need* he would be the right man for the job. The "we" in the title is left ambiguous. It could refer to Britain or to the Union as a whole. Sir Leon does not discriminate. As a lawyer by training, he realises the size of the task, which is no less than to continue to develop the constitution of an expanding united states of Europe.

Those words are mine, not his, and the choice of small letters for

united states is deliberate. Yet that is exactly what the book is about. Sir Leon goes through the whole range of policies. He wants free trade, deregulation and vastly reduced state subsidies, all of which we know.

THE EUROPE WE NEED  
by Sir Leon Brittan  
Hamish Hamilton, £17.99,  
248 pages

On a European defence policy, he prefers to go slowly and only on the basis of consensus - a line that should appeal to the French as well as the British. He would not over-hurry the entry of eastern European countries, but would help them on the way.

The core of the book, however, concerns his views of the Union's

institutions, in particular the Commission and the European Parliament. To outsiders, the Commission frequently appears an interfering bugbear. The normal inside view is that it is simply the Union's civil service, proposing policies to the Council of Ministers but not taking ultimate decisions, and not much bigger than some of the London borough councils.

Sir Leon has a different emphasis. He writes that the Commission was "conceived as more than a secretariat, but definitely less than a government". Under the Delors presidency, he argues that it "reclaimed its status as a political body". He would like to move on from there and streamline the Commission's activities.

Especially after the next enlargement, the Commission would take more of the form of a national gov-

ernment. There would be a greater hierarchy and an end to the horizontal structure where, in theory, all commissioners are equal. Instead there would be seniors and juniors. The big countries would always have a senior post; junior posts would rotate between all member states.

A my potential loss of democratic control would be balanced by greater powers for the European Parliament and a new committee of parliament, made up of members of national parliaments and designed to oversee the work of the Commission and the Council of Ministers.

There are many more proposals: for instance, for a three-tier voting system that would preserve the principle of unanimity on important questions. Yet it is on the parliamentary side that Sir Leon seems

least sure of himself. A bold man would propose either to abolish the Parliament altogether, allowing scrutiny to lie with national parliaments, or to give it more direct power.

This is at the heart of the British dilemma, particularly in the Tory Party. Westminster is jealous of the powers of the European Parliament: the MEPs have little access to Westminster, hence there is no co-ordination.

One answer might be to restore the dual mandate, allowing British politicians to sit in both places. Until the dilemma is resolved, the British Parliament is likely to remain hostile to Brussels and Strasbourg.

Sir Leon may not have all the answers, but as a lawyer he reads the texts and takes them seriously. The great British failing has been to ignore the texts - such as the Treaty of Rome - until it was too late to change them.

This book should be read as a draft text on the future of the Union, for Sir Leon is in the mainstream of Europe.

## Quality outshines fame and fortune

It is still true, as I suppose, that most people love reading John Steinbeck. He rarely returns to him in their maturity? Was his friend John Hersey right when, explaining Steinbeck's astronomical sales, he said "Readers loved him. Even people who really did read books read Steinbeck"? Has persistent denigration by academic critics denied him his proper reputation notwithstanding his Nobel Prize?

The virtue of this long but readable book is that Jay Parini, by achieving an excellent balance between biography and literary appreciation - always a difficult task - makes a strong case for the quality of Steinbeck's work in the course of a well-told life story.

He establishes the structure with confident authority: the family homes in Salinas and Monterey; the unsatisfactory parents who nevertheless supported their son while he mastered his trade; the failure at Stanford; the early experience on the road, as labourer, rancher, sailor, solitary; the three wives, the alcohol and the depressions; the unfailing conviction of his vocation as writer; and then the breakthrough to worldwide success with *Tortilla Flat*, followed by *Of Mice and Men* and, in 1939, *The Grapes of Wrath*.

Parini then moves deeper. He understands that the fame of *The Grapes of Wrath* - one of the great "angry books", the instant classic which describes so unforgettably the plight of the Okies fleeing from the Dust Bowl - can mislead us about Steinbeck's true gifts. The 1930s may have been the period when the American novel went political but Steinbeck, an instinctive New Deal Democrat

rather than a radical socialist, always knew that realism was, in his words, "a dead end for the novel".

His own ambitions lay more in the myth-making function of the artist. He had a life-long obsession with the Arthurian legend (which is clear in *Tortilla Flat* and *Cannery Row*) and, arising out of his scientific bent, he held well-developed theories about the relationship between the individual and the larger social unit which he called the "phalanx".

"Man is a double thing," he once wrote, "a group animal."

JOHN STEINBECK: A BIOGRAPHY  
by Jay Parini  
Heinemann, £20, 614 pages

and at the same time an individual. And it occurs to me that he cannot successfully be the second until he has fulfilled the first. That is rather a good way of understanding *The Grapes of Wrath*.

As Parini points out, this philosophy is not so far from Jung's Collective Unconscious, and it is particularly interesting to find that one of Steinbeck's close friends in pre-war Monterey was Joseph Campbell, later to become America's most influential mythologist. (This California group of "whores, scientists, bums, winos and local artists" included Steinbeck's best friend, the marine biologist Ed Ricketts, George Albee and John Cager, as well as Campbell, who had an affair with Carol Steinbeck which may have contributed to the eventual divorce.)

Out of all this detail, Parini focuses on his argument: "Like Joyce and Eliot and any num-

ber of other writers, Steinbeck used myth to organise his ideas and ground his work in archetypal patterns. The important point is that Steinbeck summoned a reality that was fresh and highly particularised, always trying to examine 'the group' and its effects on the individual." There is a lovely line from Steinbeck's diary as he was writing *Grapes* - "Carol says, stay with the detail".

After earning a mere \$970 in his first seven years, Steinbeck took off. The critics soon decided that he had peaked already, but the public disagreed. There were to be films and plays and travel books and journalism, as well as more novels.

Parini takes us smoothly through the fame and the fortune, the years as war correspondent, the move to New York, the bad second marriage and failure as a father, divorce and more drink and crisis, a happy third marriage, *East of Eden* and the screenplay of *Viva Zapata!*

Steinbeck wrote a book a year between 1931 and 1950 and was only defeated by his attempt on his beloved *Malory*, for which he moved to Glastonbury.

These later years are told at a fast lick, but it would be churlish to complain. The argument of the book is not simply that Steinbeck is unfairly under-estimated but that it is wrong of the critics to declare that his work declined after the famous bestsellers.

Does Parini make his case? I suspect that he protests too much. But in order to be sure, I'll have to go back to the books - which is a good test of a good biography.

J.D.F. Jones



Jean Simmons as Ophelia in Laurence Olivier's *Hamlet*, one of the films discussed in *Waiting Shadows: Shakespeare in the National Film and Television Archive*, edited by Luke McKernan and Owen Tiers (PFI Publishing £13.95, 288 pages). The publication coincides with a Shakespeare On Screen season at the National Film Theatre on London's South Bank from April 22

## Wait for the film

Job losses and employment pressures are hardly new, even if they are causing pre-millennial stress in most of today's developed countries. They date, no doubt, from the earliest days of civilisation.

Even in Japan, pressure to cut industrial costs by booting out more and more workers was building up steam more than a century ago.

"Take tea-sifting. In 1867, a resourceful and lusty Scottish businessman, Thomas Glover, anxious to boost the profits of his three Nagasaki tea plants, hit upon a way of using steam-driven machinery to sift tea."

The British consul's Report on Trade in Nagasaki for 1867 observed that the machinery was doing remarkably well, but that "a better constructed and finished machine is now on the way out from England... It is a great saving in manual labour, in a great consideration where 1,600 hands are generally employed during the tea-sifting season."

This machine - invented and constructed on the spot - was state-of-the-art. We do not learn from *Scottish Samurai* how many of the 1,600 workers were thrown into the street by Glover's invention, but the author reckons that some of Glover's drive and inventiveness rubbed off on the Japanese.

We are also told that Glover can be regarded as one of the guiding spirits of Japan's 20th century economic miracle.

young man, first for Shanghai, then for Japan. He became an entrepreneur, ship-builder, gun-runner, anti-Shogun rebel and adviser to Mitsubishi. He was a friend of Japan's first prime minister and was decorated by the emperor in 1908.

He was also a man of the flesh, fathering at least four children by Japanese beauties. There is a bridge leading into Nagasaki's red light district of Maruyama which the Japanese call the *Shiden Bridge*, or Hestia-

SCOTTISH SAMURAI: THOMAS BLAKE GLOVER 1838-1911  
by Alexander McKay  
Corgi Press £25, 162 pages

tion Bridge. Further in there is a second bridge, *Omotenashi Bridge*, or Made-Up-Your-Mind Bridge, for the tumescency-committed Glover, it seems, was not one to have been deterred by *Shiden*.

This is a great story: the sort that Bernardo Bertolucci would pay good money for.

The book, however, is unengagingly written and gaspingly over-priced. It seems to have been partly sponsored by Aberdeen city council. Nothing wrong with that, especially, except that £25 for such a flatly-written tale (the author is "employed by a major oil company on an oil production platform in the North Sea", if you please) is impertinent.

Skip the book, and just hope that someone films it.

Michael Thompson-Noel

## Pleasure in the south

Updike writes with panache in a new setting, says Carlo Gebler

Not to be confused with the film of the same name, John Updike's new novel is a retelling of the Tristram and Isolt story. The setting, however, is Brazilian not Breton and the period covered is the 1980s to now.

Yes, this is a departure for the man who has been taking his scalpel to the American East Coast middle-class and their sexual mores for 30 years. His skills, however, have not deserted him; first and foremost, his fluency with words (page succeeding page, it never ceases to amaze); and second, his facility for structure, for architecture.

The novel starts on Copacabana beach with the first meeting of the ill-starred couple: Tristão is a black shanty-town dweller, Isabel is the white upper middle-class daughter of a Brazilian diplomat.

Fleeing from her father (who disapproves of miscegenation), she goes west (in the time-honoured tradition of American fiction) to the Chilean border, where they meet their nemesis in the form of an Indian shaman. Tejuapapo, as he is named, turns Tristão white, and Isabel black. Knowing

that daddy can't object now that his son-in-law is the same colour as he is, the couple retrace their steps through the very terrain through which they had earlier fled, until at last they arrive at Copacabana, at the very spot where they met 20-odd years earlier.

The narrative then draws to its melancholy conclusion. And this being Updike, there is naturally a corresponding emotional symmetry. When the couple first meet, Isabel is in awe of her "bit of black rough" with his "swelling yam", while Tristão is gentlemanly and humble. She wants to submit and to serve; meanwhile, he can't believe his luck. Once their colouring is reversed, she becomes aggressive, while Tristão, eschewing chivalry, wrestles her into submission and then partakes with her (some people aren't going to like this) "of the criminal bliss of rape".

Which brings this reviewer to that other Updike hallmark: his interest in sex because of what it reveals about character, and the unflinching virtuosity with which he describes the many and varied private acts of couples - all without

BRAZIL  
by John Updike  
Hamish Hamilton, 261 pp, £14

ever becoming titillating or striking a false note. Yes, again this is a typical Updike book; there is a lot of sex in it, but it is emphatically not a work which one would describe as "sexy".

In *Brazil*, one finds Updike as he always is; and those who like him should like this novel, although maybe not quite as much as those books in which the old wordsmith is describing his native habitat. The North American settings, because they are familiar to

the author, obviously come easier to him. In *Brazil*, he has had to marshal an enormous amount of research and then represent it in Updike-speak.

His energy, however, is unstinting and his panache is extraordinary. Whether he's writing about Brazilian flora and fauna (his descriptions of natural history in this book are superb) or the miserable gold mining area in the Douad, he's always engaging.

While Updike is always Updike the question remains: why South America, why Brazil? Well, why not, is one answer. Nabokov changed from old to new world, switching languages in the process. Graham Greene may have been Bertram's born and bred, but that didn't stop him writing about Indo-China and South America.

But those writers had an aptitude for such an endeavour, whereas Updike is not a chameleon who can change his

colouring to suit his locale.

Another answer is that writers need new worlds and they are perfectly entitled to carve them out. Perhaps Updike is bored with his usual milieu and wants a change. Maybe, but I suspect that what lies behind *Brazil* is something deeper and more important.

North America, for white writers at any rate, is no longer the epic canvas that it once was. Everything's been conquered; there's nothing left to discover.

The world Updike trawled in the Rabbit series and *Couples* has been over-fished. White middle-class America is also getting smaller and, as it shrinks, it becomes - at least for a writer of Updike's particular intelligence - a less congenial place.

Updike can use the "B" word to describe the love-making (sic) of two Brazilians and get away with it. However, relocate the narrative to say, New

## Dying for some comfort

Nuland clearly does not give a damn about bestseller status; surely some marketing executive tried to dissuade him from such a comfortless title? But, as he writes, in his seventh decade he knows he has little energy or time to spare for mealy-mouthed euphemism.

Praise be for both title and book: a painstaking examination of the half dozen commonest avenues leading towards life's only certainty - death. A consultant surgeon with 30 years of experience in US hospitals, Nuland has written a fine book about the process of dying and the lessons he has

learned from trying to prevent death. The book is suffused with a robust, humane tone, with the flavour of Thomas Love Peacock's "we are all of us born to disappointment"; it is as well to be prospective. Neither coldly stoic nor falsely sentimental, Nuland evinces a literary mind, one equally capable of dissecting a corpse as of placing death in a larger, philosophical and literary context. He has distilled the medical essences, the esoteric Latin names and complex anatomical

details into a skilled literary journey towards the Styx.

Here we see Alzheimer's, cancer, AIDS and all the other major killers against which we are impotent. How they work, how we suffer, how our loved ones share the agonies. Nuland has few certainties apart from the clinical, but his most significant is that the greatest futility of medical research is its hunt for an elixir which will endlessly stave off death. We must die to make room for those that follow. Given that

HOW WE DIE  
by Sherwin Nuland  
Chatto & Windus £15.99, 280 pages

his text is as well graced by literary as medical references, it is therefore odd that he overlooks Swift's *Struldbrugs*, the immortal creatures in *Gulliver's Travels* who were condemned to agonies of perpetual boredom, regret and lassitude. Nuland understands these. But if there are few certain-

ties there are useful sagacities. "The dignity that we seek in dying must be found in the dignity with which we have lived our lives... The honesty and grace of the years of life that are ending is the real measure of how we die."

When he says towards the end that he will not "allow a specialist to decide [for him] when to let go" because "I will not die later than I should simply for the senseless reason that a highly skilled technological physician does not under-

stand who I am", that feels a perfectly logical conclusion to a lifetime grappling with irrationalities.

*How We Die* is not bleak, though its subject is awful for most of us. Nuland hopes his book shows relentless death can be rendered less mysterious, and thereby far less terrifying. Of the numerous personal stories he gently, almost lovingly recalls, there is one unifying thread - apart from death itself. It is that courage to face death squarely is perhaps the greatest comfort of all. His words ought to enjoy longevity.

Gary Mead













John Major, we are told, follows the fortunes of the England cricket XI with a passionate intensity. We have been told so by prime minister Major himself, and he probably believed that at the time he said it, too.

Perhaps Major's latest debacle, his bungled attempt to change the basis of the European Community's voting structure, owed something to the distractions of watching the satellite television coverage of the English cricket team's test match against the West Indies.

## 'Douglas, I feel bowled out'

Dominic Lawson imagines John Major's feelings during the test match

rest, to be met with: "Douglas, can't you see that we are on the verge of a famous victory? The West Indies have not lost a match at Fort of Spain for 17 years. If Atherton's men can beat Curtly Ambrose and co, surely you can beat these medium pace trundlers in Brussels."

"Prime minister, I really think..." "Oh shush, Douglas. Hick has just dropped another sitter, and I want to see the action replay after the break. By the way, why are there so many advertising breaks on Sky, Douglas?"

"Stop reminiscing, Douglas. get back to that easy-paced wicket in Brussels, and play yourself into form, like Graham Thorpe in the first innings."

"I thought I told you never to mention that word in my presence." "Sorry, prime minister," said Hurd, who, in the awkward silence which followed, began humming "blade on the feather", subversively, under his breath - the Eton boating song had always inspired the foreign secretary at such testing times.

The foreign secretary walked across the room, poured himself a glass of good French brandy, and sat down. In the meantime Major seemed suddenly to have slumped in his seat.

## He will or he won't

Michael Thompson-Noel



The end of the first quarter. Tempus fugit. At the end of each three-month I indulge myself in pondering my career. Examine my life-style. Count my money. Scrutinise

my will. And estimate how many quarterly stock-takings I still have to come - about 52, by my calculation, which is not a large number, sad to say.

I especially enjoy re-reading my will, and deciding which of the people mentioned in it should be given greater prominence, or moved into the shadows.

In addition to my usual stock-taking, I have been examining the predictions for 1994 made in this column on January 1, to see how they are faring.

If they are proving to be idiotic my idiosyncrasy should be acknowledged, at least by me, for I claimed that they were serious predictions, even if wishful thinking had infected most of them. To calibrate my performance at the end of the first quarter, I decided to award each forecast a provisional score out of 10.

**Markets:** displaying a machismo that was entirely uncalled for, I predicted that the FT-SE 100 would set a record high of approximately 3,660 before Easter, then endure months of choppy chop before falling like a stone in September or October, and finishing the year below 3,000. As it happened, the index topped-out at 3,530.3 on February 2.

## HAWKS & HANDSAWS

I still think it will finish 1994 at a far lower level than experts were predicting on January 1. But even if it does, my other forecast - that gold would approach \$500 an ounce, as a prelude to startling gains at the end of the century - is looking fly-blown. I am counting on China. The Chinese love gold. Buy more, you tolling masses. Unless we all leave together, the wrecked gold price is going nowhere. Provisional score out of 10: 4.

**US politics:** I predicted "a good year for Bill Clinton - Washington's dour columnists will finally warm to him - and a good year, too, for Hillary Clinton." I am sticking to my guns, storms in eggsprings notwithstanding. Score: 8.

**UK politics:** John Major would resign, to be succeeded as prime minister by Kenneth Clarke; John Smith would meander through another low-key year as Opposition leader, and something "painful and messy" would happen to bossy Virginia Bottomley, the UK health secretary. I still believe that Major will quit Downing Street voluntarily, late in the year, probably late at night, his poor wife in tow, screaming soundlessly. And Smith is certainly sneezing through a low-key year. But Bottomley is uncrushed, in fact, still glowing. Score: 7.

**Sport:** I like soccer, so I predicted that the World Cup would be a great success. I know almost nothing about soccer, so I predicted that Norway would beat Brazil 3-1 in the final. I also reckoned that the Grand National steeplechase at Aintree would produce a fiasco to rival last year's. Neither of these events has yet been staged. Score: 5.

**The monarchy:** A good year for Prince Charles, as more and more people come to appreciate the attraction of having a divine ruler to the British throne. What could be more *fin de siècle* or sophisticated? (The divorce itself was tipped for 1995). Without doubt, Prince Charles is having a good year, having launched a massive PR campaign to buttress himself against the sniggering of the populace. Score: 9.

**Religion:** "The Church of England will stumble ever faster towards disestablishment and outer darkness." As forecasts go, this is one of my bankers. Score: 3.

**Hunting:** "People who hunt animals - big ones, small ones - will feel more and more like pariahs as revulsion at their activities becomes pronounced." Score: 7.

**Journalism:** Incredibly, I reckoned that news desks would realise that people are fed up with coverage of Russia and China, and wanted about 30 years' silence from these two countries while they licked their wounds and smartened-up their acts. Score: 0.

My average provisional score is thus six out of 10. This is not a good score. It has made me gloomy. To revive my spirits, I have torn up my will and am starting again from scratch. The fun is quite considerable.

Private View/Christian Tyler

## The bishop with a different Easter

Millions of Christians will not be celebrating Easter this weekend. It is not because they have stopped believing in the Resurrection but because they belong to the Orthodox Church.

Easter follows the first full moon after the spring equinox. For this calculation the Orthodox still cling to the old Julian calendar, according to which the spring equinox occurred on April 3. The result is that their Easter is still a month away.

The discrepancy is just one symptom of the great schism between the churches of Byzantium and Rome, usually dated to 1054 AD when a papal legate threw a Bull of Excommunication on to the altar of Santa Sophia in Constantinople.

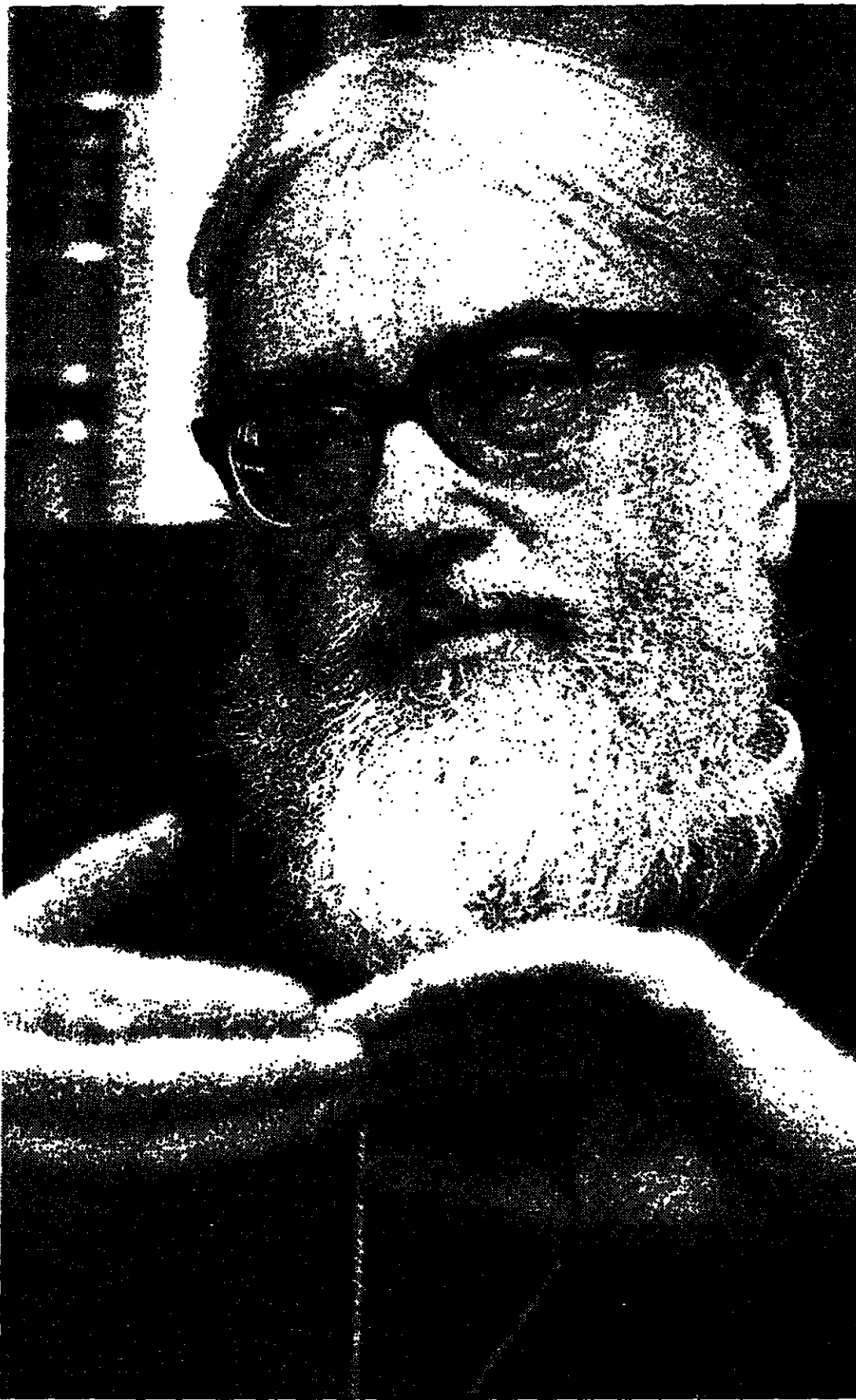
A thousand years later, Christian clergy of east and west are still looking for reconciliation. If anyone understands what that involves, it is Bishop Kallistos of Diokleia, assistant to the head of the Greek archdiocese of Thyateira and Great Britain, university lecturer and author of a standard work, *The*

"In the end I felt what mattered was not nationality, but truth," he said. "If Orthodoxy taught the Christian faith with a fullness not possessed by other communities, shouldn't I join them, whatever the historical limitations? Truth is universal."

In the west, Orthodoxy is largely a church of immigrants. It is also fragmented along national lines. Parish organisation has improved but there are few western converts, and those tend to be from the university-educated professional classes: John Tavener, the English composer, is one famous example and Bruce Chatwin, the author, was on the point of joining when he died.

In Russia, however, the church is enjoying a big revival following the collapse of communism. "People feel communism has let them down desperately badly and are looking for some meaning to life," the Bishop said.

But is there, I asked him, any sign of a general religious revival as we approach the millennium? "What I do think," he replied, "is that while there is deep disillusionment with organised religion there



Lyle van der Meer

*'I did not feel I was betraying my western culture but really discovering its true roots and true meaning... I feel it's not made me less English, but more English,' says Orthodox priest Bishop Kallistos*

### Orthodox Church

For behind the black-rimmed spectacles and whiskery silver beard - an accoutrement which does for an Orthodox priest what a full-bottomed wig does for a British judge - there hides an Englishman.

Bishop Kallistos began life as Timothy Ware, the son of an English soldier. His father was a brigadier in the Durham Light Infantry and fought in two world wars. Both parents were church-going, middle-of-the-road Anglicans.

The boy was not military, not even athletic, but very precocious intellectually: he suffered a bout of religious scepticism at the age of 13 when, arriving at Westminster School, he began to read philosophers such as Bertrand Russell.

"I do remember thinking when I was 13 there is no proof for the existence of God," he said. (Russell made the same discovery at about the same age, but with quite different results.)

By the age of 14, Timothy Ware had returned to religion. "Not because I found any single answer," he said, "but because I concluded there were a great many things in this world that could not be proved, that almost all the things by which we directed and guided our lives were attitudes for which there was no proof. Then I also thought about why I have feelings of right and wrong - not just conditioning, but going deeper than that."

He considered becoming a Roman Catholic but found the Pope's claim to supremacy inconsistent with his reading of early church history. A visit to a Russian Orthodox church at 17 made a deep impression but it was six years later, after taking a double First at Oxford and studying theology, that he joined the Greek Orthodox. When he was ordained in 1956 he was the first non-Greek priest in the British diocese.

is nonetheless considerable spiritual thirst and interest in the inner resources of the human person.

"This may take different forms. Some 20 years ago people looked to India or Zen Buddhism. Nowadays people are drawn often to the 'New Age' - a lot of what that means makes me feel very unhappy. Nonetheless, I can see a spiritual craving there, a rebellion against the values of a purely material way of life. The interest in ecology is another aspect of it. But churches don't seem to be responding."

How, I asked, could a church as antique and traditionalist as the Orthodox hope to respond?

"I would want to say that tradition has to be understood as a living reality, not simply rigid conservatism. Real loyalty to tradition implies a critical spirit. You've got to look at your past inheritance and say which bit of it is essential, which just historically conditioned. I would like to see the Orthodox Church living its tradition much more intelligently and reflectively."

The focus of his religious loyalty is the doctrine of the Trinity, which he described as much more than a theoretical piece of complex speculation, and of the Incarnation.

"I am very troubled by the great growth of an extreme radical, liberal position within Anglicanism," he said. "I respect the sincerity of the people who are grappling with great questions. But the way they set out to answer those questions is not likely to bring the country back. It's not a way to help people in moments of crisis and despair."

Also important, he added, was the immediacy of the invisible world. "Christianity should never become 'just a philosophical theory or a social programme'."

Orthodox rank-and-file tend to resist reunion with western Christians. Where Orthodoxy is the

national religion there is no need. Immigrant communities of the diaspora take refuge in it. And western converts do not convert in order to be brought back again.

I asked the Bishop whether secularism could provide the impetus.

"I wouldn't want us to unite because we both felt weak. When two businesses do a merger because each is losing clients that's not necessarily a recipe for commercial success. I would hope myself that in the west we can have friendly relations with other churches but

remain firm in upholding our own position."

The most likely, even imminent, reunion would be with the so-called Oriental Orthodox of the Middle East, north Africa, Armenia and India which veered off after the Council of Chalcedon in 451 AD.

Among western Christians, the Roman Catholics are doctrinally closest. But there are some serious historical vendettas to be overcome. The Serbs, for example, remember massacres at the hands of Croatian Catholic fascists during the second

world war, and have witnessed continuing destruction of their churches even outside the fighting zones. In the Ukraine, there is resentment against the Vatican-supported revival of the eastern Catholic, or Uniate, church.

Bishop Kallistos said the chief doctrinal problem was the Pope's claim to infallibility and jurisdiction over the whole of Christendom. But, he argued, under another pontiff both claims might be susceptible to redefinition.

So, too, might the *filioque*, an

As They Say in Europe / James Morgan

## Italy: a case of plus ça change?

Many must have envied the Italians last weekend. They could choose among any number of new parties, usually led by totally new politicians. For the first time in the history of a democracy, voters could go to the polls without being tempted from the path of reason by the siren call: "Throw the rascals out." The rascals had already been thrown out by the police and the judiciary.

But this cheery view was mistaken, as Monday's perceptive fantasy in the *Frankfurter Allgemeine Zeitung* indicated. It highlighted the problems faced by the typical Italian voter: "Mr Rossi has nothing to complain about. His wife had come through her operation satisfactorily, the children bring average reports home, the textile industry in his central Italian small town is working well. But this election breaks Mr Rossi's head."

Too much had changed, little was left over from the old system. New symbols, new words, new faces. So,

political programme but had actually won the election, too.

According to the professor, Marcello De Cecco, Berlusconi's borrowed programme ends in the "definitive defeat of the trade unions and the re-distribution of income in favour of the rich". But De Cecco did, accidentally, explain how an Italian party had been able to succeed when burdened with a political programme, especially such an appalling one. He noted that it had "neither been questioned nor discussed" during the campaign.

By tradition, politics were never discussed on such occasions. Italian parties had highly political names - Christian Democrats and so on - but no content. Only slogans. Ber-

lusconi's party seems to be the opposite: it has policies, and a football supporters' slogan as its name. But will Forza Italia, in fact, now try to put its published programme into practice? The contradictions within the ramshackle electoral coalition which the party leads have been well documented.

If, however, there should be an Italian government with policies that go beyond paying off appropriate interest groups and being blown half-heartedly by any wind that seems to prevail, the possibilities are revolutionary. Will foreign policy no longer consist solely of trying to find out what Washington thinks it ought to be? Will Italy's Euro-policies cease to be a poorly constructed replica of France's?

Berlusconi has no love for Brussels, though, and we could see one crucial element of the "Thatcherite pharmacopoeia" emerge as the new Italian government pursues a European policy that is nearer to that of Britain. Perhaps Italy will no longer be a reliable opponent of anything that smacks of the free market and liberalisation.

Such a change would vindicate fully the complex game played by the British government which, this week, ensured an increase in the number of votes needed to block proposals in the EU's council of ministers.

Still, any kind of political activism will worry Rossi and the millions who voted for Forza Italia. Italy's post-war success, a real eco-

nomic miracle, has been founded on the basis of a government which does nothing and creates obstacles. As an Italian colleague, an expatriate Rossi, told me: "The trouble with politics is that they can go wrong."

He is comforted that Berlusconi was helped to his present eminence by his contacts with the former socialist leader, Bettino Craxi, now charged with corruption. And that he was a member of the powerful P2 Masonic lodge which seems to have lurked behind some unsavoury milestones of contemporary Italian history.

So, the answer to the above question might still be a reassuring "niente". Perhaps not that much has changed, even though all the papers write of "the Italian revolution". As Niccolò Machiavelli, the greatest political commentator of them all, noted: "People are always taken in by appearances and the outcome of events."

James Morgan is economics correspondent of the BBC World Service.

April 1994